Digital experience and agile operations drive operator spending within customer engagement departments

November 2018

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Communications service providers (CSPs) that are looking to transform in order to deliver a rich customer experience are deploying capabilities that enable them to engage with customers in a personalised manner. These include digital channels and next-generation technology specifically for agility and automation. Customer engagement systems, which include engagement platforms and marketing, sales and customer service applications (see Figure 1) allow operators to deliver a rich and engaging experience to the customer. These systems are extremely important in CSP operations and are crucial for ensuring a seamless customer experience in both physical and digital environments.

Figure 1: The customer engagement segment and its constituent systems

CUSTOMER ENGAGEMENT

| ENGAGEMENT PLATFORM | MARKETING | SALES | CUSTOMER SERVICE |

Source: Analysys Mason, 2018

This article summarises the key findings from Analysys Mason's *Customer engagement systems: worldwide market shares 2017* and *Customer engagement: worldwide forecast 2018–2022*, which provide data about CSP spending on telecoms-specific customer engagement software systems and related services.

CSP spending in the customer engagement segment is driven by operators' need to adopt a platform-centric approach and reduce outsourcing-related costs

Telecoms operators are continuing to invest in customer engagement while transforming their front-end operations to be more digital. CSPs are investing in solutions that deliver on:

- agility (that is, improving the time to market)
- automation (by making use of machine learning and AI to personalise experiences)
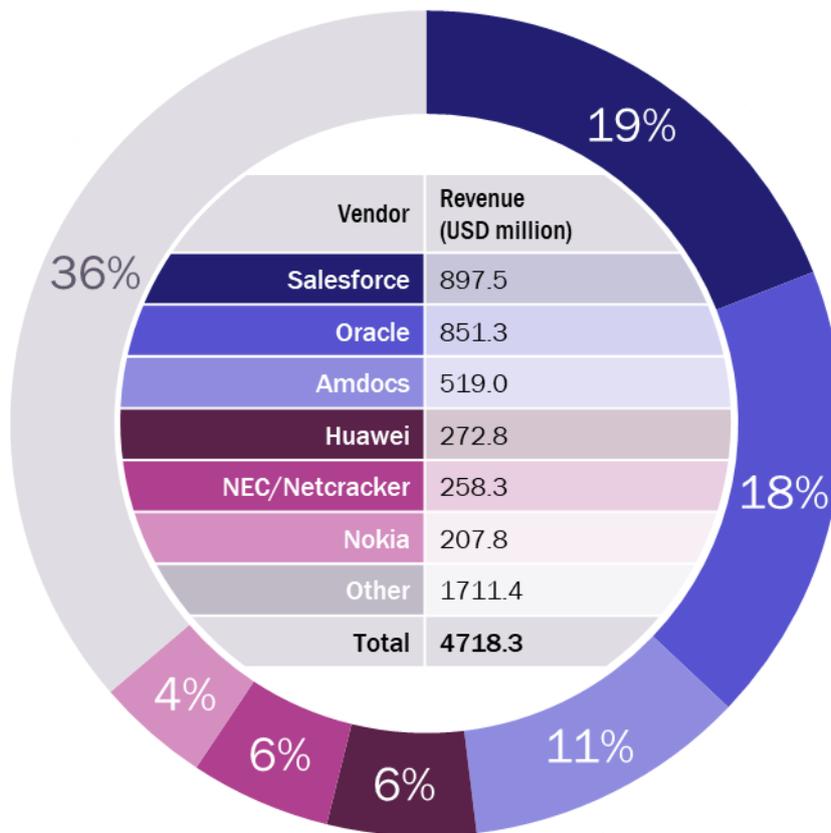- cost (by reducing the ongoing spend, such as that related to call centres).

As a result, operators' overall external spending on customer engagement systems and services declined by 1.3% in 2017. This decline occurred for two main reasons.

- Operators adopted SaaS-based solutions and cloud-native architectures, thereby reducing their spend on legacy systems and services.

- Operators reduced the costs associated with call centre outsourcing by promoting self-service through digital channels and increasing automation to improve productivity and efficiency within call centres.

This had a direct impact on the top-six product-related solution providers in the customer engagement space. Salesforce, Amdocs and NEC/Netcracker were the only solution providers that registered year-on-year growth in 2017 (see Figure 2). Oracle's SaaS-based solutions gained significant traction among its Siebel customers, but the revenue growth from these solutions was not enough to compensate for the decline in Oracle's licence and maintenance revenue for customer engagement solutions.

Figure 2: Customer engagement product-related revenue by vendor, worldwide, 2017[1]

Vendor	Revenue (USD million)
Salesforce	897.5
Oracle	851.3
Amdocs	519.0
Huawei	272.8
NEC/Netcracker	258.3
Nokia	207.8
Other	1711.4
Total	**4718.3**

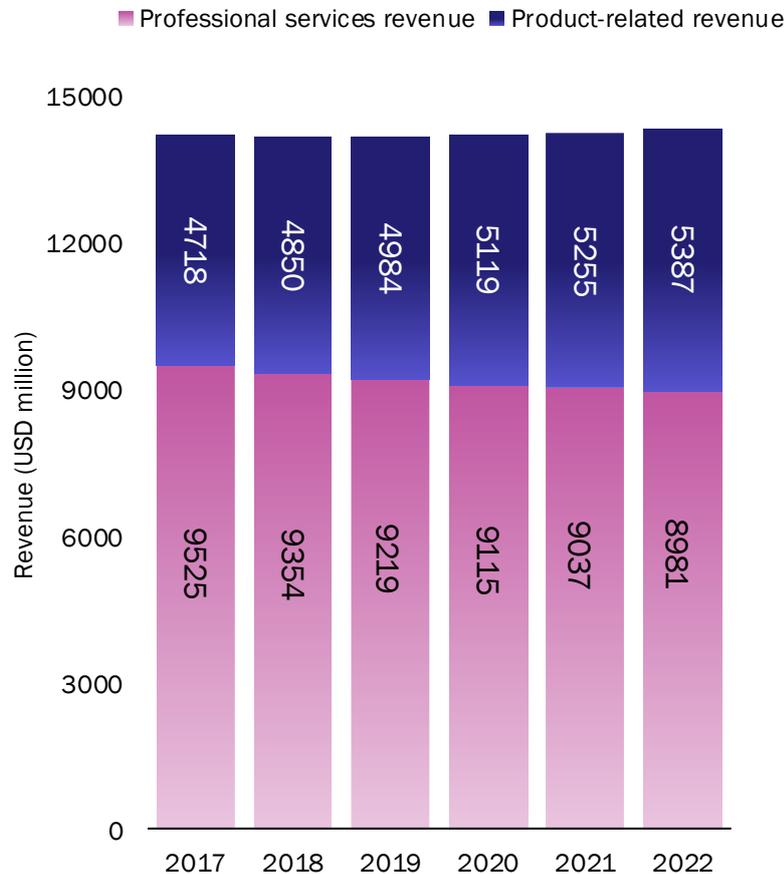Source: Analysys Mason, 2018

CSPs will continue to invest in customer engagement operations over the next 5 years

Operators are making significant investments in customer operations, with a focus on delivering rich, digital customer experiences. We expect that this trend will continue over the next 5 years. However, there will only be a marginal (0.2%) increase in the total investment during this period. This is primarily due to the decrease in investment in outsourcing operations, particularly call centres, which will cancel out the growth in product-

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[1] Significant vendors in the 'Other' category include Asiainfo, Avaya, Ericsson, Genesys, Microsoft, Nexign, Pegasystems, Qualcomm, SAP and Vlocity.

related investment from maturing SaaS and cloud-native systems, as well as from technology that uses artificial intelligence and machine learning, such as virtual assistants (see Figure 3).

Figure 3: Customer engagement revenue forecast, worldwide, 2017–2022

■ Professional services revenue ■ Product-related revenue

Year	Professional services revenue	Product-related revenue
2017	9525	4718
2018	9354	4850
2019	9219	4984
2020	9115	5119
2021	9037	5255
2022	8981	5387

Source: Analysys Mason, 2018

The following three key trends are expected to emerge during the forecast period (2018–2022).

- **Growth of productised solutions.** To meet changing customer demands and rising expectations, operators need to introduce agility into their businesses. To achieve this, we expect them to increasingly adopt SaaS-based systems. The adoption of these systems will be supported by the development of platform-based architecture that will allow operators to make use of previous investments, forgoing the need to undertake capital-intensive large transformation initiatives. Moreover, we expect that SaaS-based systems will account for almost half of the annual product-related spend by 2022.

- **Rise of virtual assistants.** Telecoms operators are using virtual assistants as a way to engage with their customers. We expect that this trend will continue and that its focus will expand beyond customer service to include sales and marketing. We predict that virtual assistants will enter the mainstream market and become a channel of choice for customers, thereby delivering the dual benefit of increasing customer satisfaction and reducing costs as customers self-serve. Furthermore, as external use cases mature, businesses will also begin to use virtual assistants within their internal operations to gain business efficiency.

- **Decline of call centre outsourcing.** Investment in capabilities such as proactive care and virtual assistants will provide greater flexibility for operators to deliver improved self-service functionality to their

customers. This is already reducing the volume of calls received in call centres and this trend is expected to grow during the forecast period.

Operator investment will continue within the segment, but the overall spend will be balanced by cost saving measures

Operators' digital experience objectives will lead to an increased spend on transforming customer engagement operations over the next few years. Operators will increasingly adopt a cloud-native architecture, which will evolve from on-premise and hybrid architecture models. These investments will lead to benefits in agile operations and cost savings that will balance out the overall growth of spending in the segment.