

Market Share

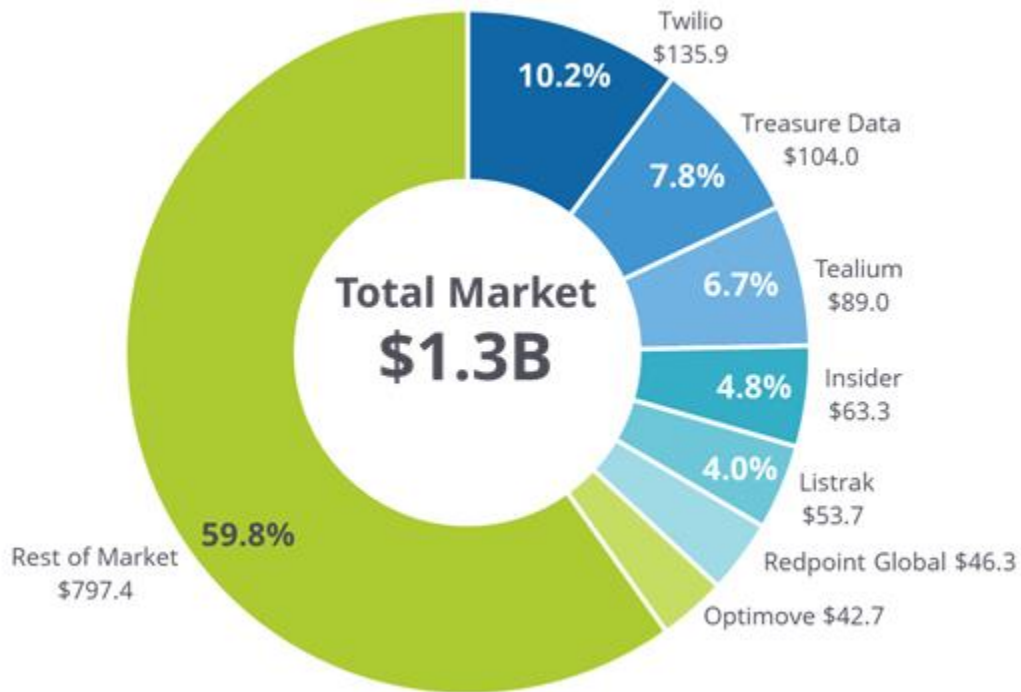
Worldwide Customer Data Platform Market Shares, 2020: The Flight to First-Party Data Is On, and CDPs Win Big

Gerry Murray

IDC MARKET SHARE FIGURE

FIGURE 1

Worldwide Customer Data Platform 2020 Share Snapshot



Note: 2020 Share (%) and Revenue (\$M)

Source: IDC, 2021

IN THIS EXCERPT

The content for this excerpt was taken directly from Worldwide Customer Data Platform Market Shares, 2020: The Flight to First-Party Data Is On, and CDPs Win Big (Doc #US48052920). All or parts of the following sections are included in this excerpt: Executive Summary, Advice for Technology Suppliers, Market Share, and Market Context sections that relate specifically to Twilio, and any figures and or tables relevant to Twilio.

EXECUTIVE SUMMARY

First-party data is the lifeblood of every customer relationship. But it is typically fragmented across dozens of repositories around the enterprise, making it a source of innovation debt and sluggishness with respect to customer interactions. Most customer acquisition activities – whether they be via advertising, direct marketing, sales, or ecommerce – require real-time personalization to be as effective and efficient for buyers and sellers. There is no time between a click and a screen refresh for a long chain of API calls, data transfers, analytics, identity resolutions, content/offer matching, and so forth to take place. All of that has to be done in advanced in order to stamp out lag. Customer data has to be in one place, identities and segments have to be refreshed based on live session behavior, and next best action/offer algorithms need to be in place. The customer experience infrastructure needs to be designed from the data layer up in order to do all that, and customer data platforms (CDPs) are one of the best solutions for doing so.

As the volume, variety, and velocity of data expand, the infrastructure needs to optimize the operations and costs associated with aggregating, analyzing, and activating it. Marketing departments are one of the areas in which customer data management is becoming a competitive advantage. The size and speed of data are the two main drivers of cost, so it is particularly important to get the marketing data infrastructure tuned properly to activation use cases. This is easier said than done as new use cases are proliferating for cross-channel interactions, training AI/ML engines, powering predictive analytics models, updating executive dashboards, and many more. Furthermore, data sources are going to the edge with sensors, beacons, GPS feeds, and wearables, in addition to clickstreams, social feeds, and all sorts of structured and unstructured sources within and outside the business. Understandably, not all CDPs process all data types, most process most, but no single technology is a panacea. Nor is the technology the whole solution; key competencies are required for successful data engineering, data architecture, and data modeling – all areas of service opportunities for CDP vendors.

IDC recommends that every CDP implementation be undertaken in the context of the whole customer data ecosystem in and beyond marketing. A CDP may be a marketing resource primarily; but it must be an integral component of an enterprise customer data integration road map. In addition, marketing operations teams in larger enterprises should consider the need for a departmental data operations (DataOps) function to manage customer data in marketing and act as a liaison with IT. Until this role becomes more common and data engineering competencies mature in marketing teams, CDP vendors will have to offer services to help their customers optimize the data flow in and out of CDPs; ensure data discovery, access, and lineage processes are intact end to end; tune automated data tagging functions to key use cases; and more.

This IDC study presents estimated 2020 customer data platform (CDP) software revenue shares in a total market valued at \$1.3 billion. IDC expects significant change in the structure of the CDP market now that several major IT vendors including Adobe, Oracle, Microsoft, Salesforce, SAP, SAS, and Teradata are in market. These companies do not yet have market presence that challenges the CDP pure-play incumbents, but as they exert market power through their sales and partner enablement programs, IDC expects rapid acceleration in these businesses.

"Customer 360, privacy, and real-time personalization are driving the need for enterprise to manage customer data as a service," said Gerry Murray, research director, Marketing and Sales Technology research practice at IDC. "Siloed customer data is a competitive disadvantage; it inhibits end-to-end customer experience management, journey orchestration, and privacy and compliance capabilities and

ultimately represents a huge innovation debt to the business. Providing customer data as an enterprise service requires a cohesive ecosystem of which CDPs are a foundational technology."

ADVICE FOR TECHNOLOGY SUPPLIERS

- **Data community:** Data usage remains a "last mile" challenge for many organizations. Even after bringing together most or all of the customer data in the enterprise in a CDP, the problem remains of how to enable the community of line-of-business (LOB) decision makers to get the most value out of it. This should be enabled by collaborative management of tags, schemas, label catalogs, data definitions, and so forth. Data owners, data scientists, and data users should all be able to contribute to and collectively manage the meaning-making layers that connect the data to the community.
- **Data intelligence:** While data is one of an enterprise's more valuable assets, there are no comprehensive methods to measure that value. The untapped potential of enterprise data for driving new capacity, efficiency, and value should be thought of as innovation debt. CDPs open a green field to build in data intelligence capabilities that provide insight into which customer data sources, events, attributes, and so forth are being used most effectively and which are not. That is the first step toward being able to assign and optimize data value based on utilization.
- **Customer-centric metrics for data:** Ironically, customer data is rarely measured in ways that are relevant to customers. Data volume, accuracy, completeness, freshness, and so forth are not customer-centric measures and thereby do nothing to change the way organizations think about, care for, and treat customer data. New metrics are needed to help move organizational mindsets from purely internal operational efficiency to protecting and respecting customer rights. Measures include percentage of data sourced directly from customers with their informed consent, activation rates by event and attribute per profile, rights requests and resolution times, customer access and controls over their data, and the number of consent moments embedded in the customer journey.
- **Clarification of the message:** There is a lot of enthusiasm for the concept of a unified customer data platform that can optimize customer data utilization through powerful analytics. But there is a lot of confusion in the market due to the lack of standard functionality in CDP products. Vendors need to be very specific about what their solutions do and when new features will be generally available.
- **Simplification and automation of data ecosystems:** Vendors need to help buyers understand how to optimize their data infrastructure investments according to the volume, variation, velocity of their data, and the analytics use cases they perform on it. How a global B2C brand constructs a data ecosystem will be very different from that of a financial services company or manufacturer. How much of what data needs to be moved, which data management and analytics jobs require expandable workload management, and ways in which data can be automatically transformed and prepared for analytics, all require detailed planning.
- **Support of DataOps:** Vendors should prioritize education and learning to accelerate adoption and value extraction from data and analytics investments. These should start with privacy and governance operations and extend up the operational chain to DataOps, ModelOps, and DecisionOps. Vendors that elevate their users' competencies in these areas will increase adoption and utilization and generate the most valuable and loyal long-term relationships.
- **Articulation of data safety as brand equity:** Privacy and compliance are de facto market requirements for all customer data-related technology and practices. This should include

sophisticated consent management, identity resolution, and personalization. Brands need to articulate how their data technology stack, privacy policies, and customer-centric culture differentiate their data relationships with customers.

- **Driving go-to-market innovation:** Most people have a very departmental view of the data available to support their decisions. As a result, it is critical to educate employees how data from outside their department might enable them to not only do the same old marketing better, faster, cheaper but also deliver new, better coordinated experiences they previously could not. To facilitate this, AI should help users find data most relevant to their use cases. Furthermore, staff need to become more aware of how their data can enhance the ability of their peers in other departments to provide the next step in an outstanding experience for any given customer.
- **Cost management:** Renewal sticker shock is the leading source of dissatisfaction with marketing and sales technology customers. To combat this, vendors should build cost transparency into the product so budget overages can be anticipated and justified against performance well in advance PF renewals.

MARKET SHARE

The CDP market is made up of more than 120 offerings. IDC tracks about two-thirds of them in detail. This year IDC changed a number of factors in how it estimates CDP revenue. Product classifications were reviewed and updated to include modular product offerings by some vendors that together constitute a CDP offering. Revenue per employee benchmarks were updated. Median revenue per employee was around \$150,000 but ranged to more than \$300,000 in some cases. Services and channel models were updated. Many vendors provided guidance throughout our process on all of these factors. As a result, our 2020 market shares are substantially different from our 2019 data set and, in general, are more accurate (see Table 1).

Figure 2 shows total 2020 CDP software revenue in constant and current currency.

Figure 3 shows total 2020 CDP software revenue by region.

Figure 4 shows total 2020 CDP software revenue by cloud and other deployments.

TABLE 1

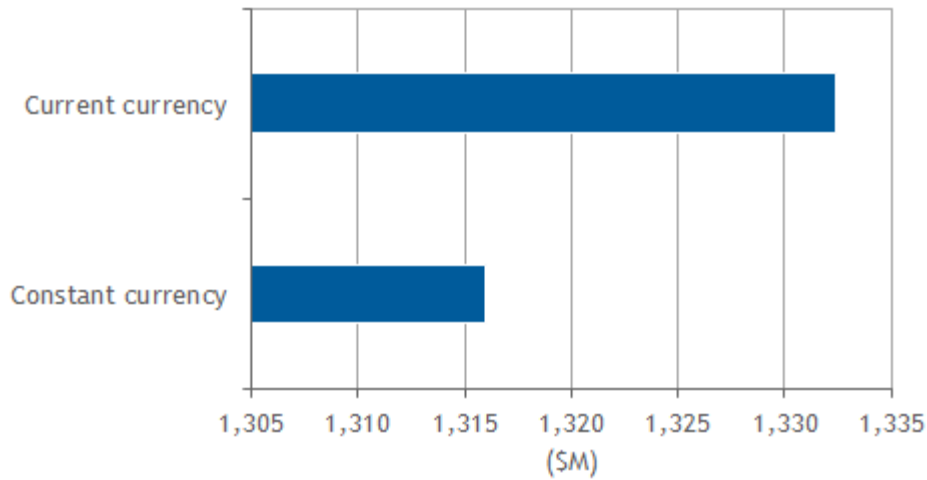
Worldwide Customer Data Platform Revenue by Vendor, 2020

	Revenue (\$M)	Share (%)	Cumulative Share (%)
Twilio	135.9	10.2	10.2
Treasure Data	104.0	7.8	18.0
Tealium	89.0	6.7	24.7
Insider	63.3	4.8	29.4
Listrak	53.7	4.0	33.5
Other	886.5	66.5	100.0
Total	1332.4	100.0	

Source: IDC, 2021

FIGURE 2

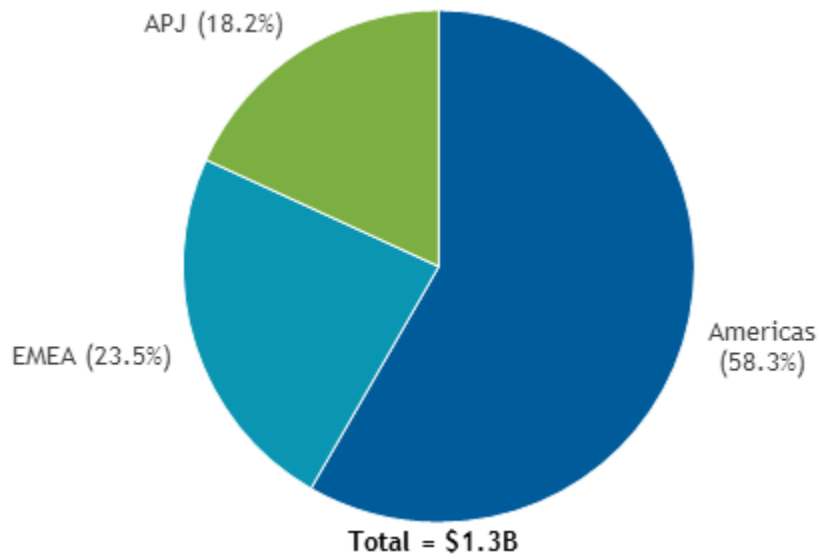
Worldwide Customer Data Platform Revenue, 2020: Current Currency and Constant Currency



Source: IDC, July 2021

FIGURE 3

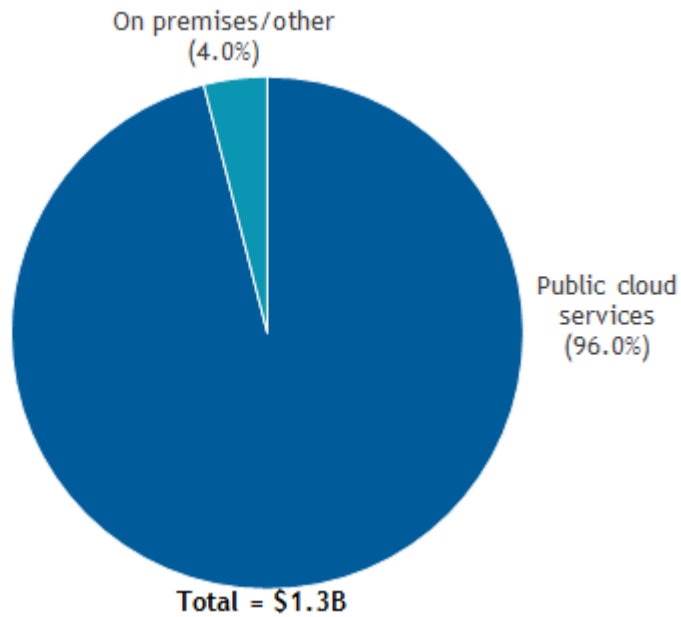
Worldwide Customer Data Platform Revenue by Region, 2020



Source: IDC, July 2021

FIGURE 4

Worldwide Customer Data Platform Revenue by Deployment Type, 2020



Source: IDC, July 2021

WHO SHAPED THE YEAR

Major vendors have realized the CDP market is a big opportunity and have announced or, in a few cases, released CDP offerings setting the stage for market restructuring in 2022. Most CDP-first vendors have realized they need value propositions based on more than just data and analytics and are adding capabilities into their offerings including engagement, orchestration, and pipeline automation. One might argue that if the martech industry had built its stacks from the data layer up and not from the interaction layer down, there would be a lot less confusion and inefficiency in the marketing infrastructure. Further:

- **Twilio bought Segment for \$3.2 billion:** The combination of Twilio-SendGrid and Segment presents a compelling new model for customer experience infrastructure. The acquisition marries customer data aggregation from Segment with global engagement capabilities from Twilio.

MARKET CONTEXT

The worldwide customer data platform software market will grow at 19.5% CAGR from \$1.3 billion in 2020 to \$3.2 billion in 2025. The greatest factors in the development of the CDP market are:

- Mainstream recognition that siloed customer data is a competitive disadvantage.
- CDP deployments show proven value. When there is good fit between the technical and operational requirements and the CDP solution, these products work extremely well.
- The value proposition for CDPs has expanded beyond marketing to a multidepartmental and sometimes enterprise scale. Not all CDPs can support enterprise demands on scale, security, analytics, and so forth, but many do, and increasingly, these can be complemented by another CDP with use cases and usability designed for marketing/LOB users.
- Mitigating the risk of customer data regulations and industry changes is related to any non-first-party data sources and identifiers.

Significant Market Developments

Major M&A Activity

The customer data infrastructure has been a hotbed of M&A activity for several years. 2020 was a much quieter year other than the biggest single CDP acquisition of all time, Twilio's \$3.2 billion acquisition of Segment. Salesforce acquired Evergage, a web personalization engine with some CDP capabilities, which is now Salesforce Interaction Studio. Salesforce subsequently built and launched its own CDP, now known as Salesforce CDP.

METHODOLOGY

The IDC software market sizing and forecasts are presented in terms of commercial software revenue. IDC uses the term *commercial software* to distinguish commercially available software from custom software. Commercial software is programs or codesets of any type commercially available through sale, lease, rental, or as a service. Commercial software revenue typically includes fees for initial and continued right-to-use commercial software licenses. These fees may include, as part of the license contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately. Upgrades may be included in the

continuing right of use or may be priced separately. These are counted by IDC as commercial software revenue.

Commercial software revenue *excludes* service revenue derived from training, consulting, and systems integration that is separate (or unbundled) from the right-to-use license but does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. It is the total commercial software revenue that is further allocated to markets, geographic areas, and operating environments. The worldwide software market includes all commercial software revenue across all functional markets or market aggregations.

Bottom-up/company-level data collection for calendar year 2020 began in January 2020 with in-depth vendor surveys and analysis to develop detailed 2020 company models by market, geographic region, and operating environment. These efforts continued in the second half of 2020. The 2020 data presented here are estimates based on these efforts; final 2020 estimates may vary slightly based on data collection efforts in the first half of 2020.

The data presented in this document is IDC estimates only.

Note: All numbers in this document may not be exact due to rounding.

MARKET DEFINITION

Solutions in this market provide the following baseline functionality:

- Ingest customer data from source repositories and store it persistently for activation through analytics.
- Perform ETL on multiple data formats (including batch, streaming, structured and unstructured).
- Resolve customer identities across sources, devices, and channels.
- Perform data quality and hygiene functions (deduplication, completeness, freshness, and governance).
- Manage data from first- and/or second- and third-party sources.
- Inherit and maintain data privacy, consent, and governance policies.
- Offer advanced audience analytics and flexible tagging schemas, persona and segmentation models, and personalization capabilities.

CDP offerings vary in their additional functionality largely due to vertical market and use case specialization as well as the technology heritage of their developers. Some CDPs are more heavily focused on data management functionality, analytics, and data orchestration; others are tuned for B2B, B2C, or direct to consumer (DTC). Some are industry specific; others serve SMB versus enterprise segments. Increasingly, CDPs are also adding engagement functionality to boost their value proposition and utilization potential for customers, making them light weight marketing platforms. Regardless of its general or niche market intent, every CDP should all be able to enhance privacy and consent management.

RELATED RESEARCH

- *Twilio Segment Adds Journeys to CDP* (IDC #IcUS48002221, June 2021)

- *Salesforce's CDP Is Finally Named "Salesforce CDP" and Upcoming Integrations with MuleSoft and Tableau Will Accelerate Data-Driven Innovation Throughout the Enterprise* (IDC #lcUS47687421, May 2021)
- *IDC's Forecast Scenario Assumptions for the ICT Markets, April 2021* (IDC #US47665121, May 2021)
- *Optimizely Delivers Deep Customer Insights Value with Zaius CDP Acquisition* (IDC #lcUS47558721, March 2021)
- *Sitecore Expands Its Digital Experience Portfolio with the Intent to Acquire Boxever and Four51* (IDC #lcUS47509221, March 2021)
- *Twilio to Acquire CDP Vendor Segment for \$3.2 Billion*, (IDC #lcUS46926320, October 2020)
- *SAP Buys Emarsys to Enlarge Its Customer Engagement Capabilities* (IDC #lcUS46920620, October 2020)

About IDC

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