

IDC MarketScape

# IDC MarketScape: Worldwide Customer Data Platforms Focused on the Financial Services Industry 2023 Vendor Assessment

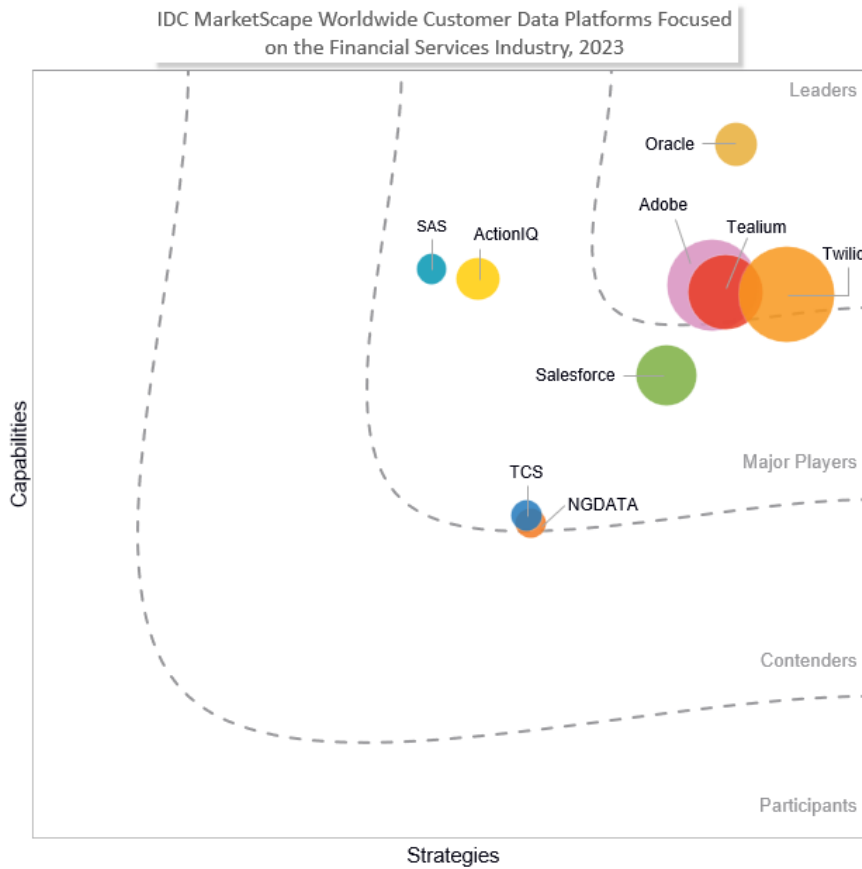
David Wallace

**THIS IDC MARKETSCAPE EXCERPT FEATURES TWILIO**

**IDC MARKETSCAPE FIGURE**

**FIGURE 1**

## IDC MarketScape Worldwide Customer Data Platforms Focused on the Financial Services Industry Vendor Assessment



Source: IDC, 2023

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

## IN THIS EXCERPT

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The content for this excerpt was taken directly from IDC MarketScape: Worldwide Customer Data Platforms Focused on the Financial Services Industry 2023 Vendor Assessment (Doc # US51211923). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

## IDC OPINION

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Customer data platforms (CDPs) are essential for financial services firms to deliver positive end-to-end customer experiences (CX). Competing on experience requires every customer interaction to inform and enhance every other, which is especially challenging in financial services given the multiple customer-facing businesses and engagement channels that exist in each segment of the industry. This can only be accomplished by making customer data an enterprise service that is not beholden to any one system or department. CDPs are exceptionally well suited to connecting data, connecting use cases and, ultimately, solving for continuity across all customer touch points while increasing use of generative AI (GenAI) to boost customer loyalty, lifetime value, and market share through personalization while improving internal productivity and efficiency.

Fundamentally, customer data platforms are designed to resolve data fragmentation (silos) and lag (response time) in the enterprise customer data infrastructure. These two operational challenges are critical to every brand's ability to knit customer interactions into holistic customer experiences. The overall conclusion from our extensive studies of customer data platform vendors is that when the fit is right, these systems work exceedingly well. Customers reported very positive experiences when they bought the right solution for their business needs, growth objectives, and technology infrastructure. The primary business driver for the significant growth of the CDP market since 2020 amid the beginning of the global COVID-19 pandemic has been the push to "go digital."

IDC defines a digital business as one where value creation is based and dependent on the use of digital technologies, from how processes are run to the products, services, and experiences provided. Of course, there is a wide spectrum of digital maturity, but according to recent IDC surveys, all businesses rate customer experience and data and analytics initiatives as top strategic priorities. IDC found a 50:50 split between digital leaders (mostly or all digital) and digital followers (somewhat or not digital). Data and analytics initiatives and customer experience initiatives ranked in the top 5 areas most immune to budget reduction in 2023 (see *Market Trends for CX Tech Buyers, 3Q23*, IDC #US51105123, August 2023). CDPs can be essential to both initiatives. CDPs provide customer data profiles for B2C, B2B, and DTC (aggregation); customer insights from primarily first-party data (artificial intelligence [AI]/analytics); and journey orchestration to engagement channels of all forms (activation). As a result, a CDP can connect the customer data, analytics, and engagement across all front-office functions and back-office systems and processes.

In the following previous documents on IDC MarketScape for customer data platforms, IDC's primary focus has been on horizontal analyses and a single industry study:

- *IDC MarketScape: Worldwide Customer Data Platforms for Growth Companies 2022 Vendor Assessment* (IDC #US49163721, June 2022)
- *IDC MarketScape: Worldwide Retail and CPG Customer Data Platform 2022 Vendor Assessment* (IDC #US47506221, April 2022)
- *IDC MarketScape: Worldwide Customer Data Platforms Focused on Data and Marketing Operations Users 2022 Vendor Assessment* (IDC #US48858321, March 2022)
- *IDC MarketScape: Worldwide Customer Data Platforms Focused on Front-Office Users 2021-2022 Vendor Assessment* (IDC #US47524621, December 2021)

This IDC MarketScape is focused on the financial services industry (FSI), which comprises three major segments:

- Banking and payments
- Insurance general (property and casualty) and life
- Securities and investments

There are many areas of overlap within FSI firms. Banks, credit unions (cooperatives), and insurance companies often have wealth management and retail securities operations. Securities and investments (capital markets) firms often have banking and payments operations to facilitate client investment inflows and outflows. Retail payments firms focused on credit cards may also have banking operations to gather deposits. Global banks, and the largest banks in a particular country, may have all these operations for:

- Consumer banking for individual customers
- Small to medium-sized enterprise (SME) business banking
- Wealth management products for individuals in segments, from mass affluence to high net worth (HNW), for individuals and highly customized advisory services for family offices
- Corporate and institutional banking
- Global treasury and payments services
- Investment banking and capital markets trading businesses that support both corporate customers and buy-side investment/ asset management firms

The multifaceted relationships between an FSI firm and individuals and companies create challenges for financial services firms. In banking, a consumer customer may also be a wealth management customer or an executive at a company that is a corporate banking customer.

Every form of go-to-market (GTM) model is in play for marketing and the various business units that own customer relationships: B2C, B2B, B2B2C, and DTC. Furthermore:

- Silos of customer data, as in the example described previously, are magnified by the number of engagement channels that may be separate based on those GTM models and among business units. Institutions that are multicountry have additional challenges due to industry regulations and differing data privacy and AI regulations that may be in place now or coming soon.

- Financial services customers view their relationships with industry providers as more holistic ("my institution should know what I need; they have all my data"), but they are easily frustrated by the differences in interactions, which they can see are the results of not connecting the dots. This negatively impacts CX scores, leads to loss of trust, and makes customers more willing to consider other financial services competitors. Fintechs and Insurtechs are examples of financial services disruptors that provide frictionless experiences because they have one channel (mobile) and they know everything about their customers, often because a CDP is in use.

This IDC MarketScape evaluates nine CDP vendors that have a significant focus on the financial services industry, with inclusion criteria described in the following section. These vendors have significant capabilities in the three pillars of a CDP as defined by IDC:

- **Aggregation:** Vendors that have tools for data connectors, data management/quality, security, governance and privacy compliance, identity resolution, consent management, unified customer profiles, and speed and scale
- **AI and analytics:** Audiences, segmentation, personalization, optimization, performance and attribution, AI/machine learning (ML), generative AI (now or coming soon), predictions, and visualization and reporting
- **Activation:** Multichannel engagement, journey design and orchestration, real-time personalization, testing and optimization, outbound connectors to online and offline channels, and campaign planning and execution.

These vendors also have FSI-specific capabilities including:

- Industry and industry segment data schemas, models, and data attributes that are currently in use by their customers
- Industry and industry segment use cases that are currently in use by their customers
- A wide range of customer profiles, from less than 5 million to over 500 million, which translates to vendors' customers in banking (for example) that range from community institutions to regional, national, and global firms currently using a CDP
- CDP users within the institutions in 12 function areas, with the top 5 being marketing, martech/marketing operations, data science/analytics, customer experience, and data operations
- Product road maps that include FSI investments in new use cases, more real-time interactions, and more predictive AI and GenAI to make users more productive and improve personalized customer communications

## IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

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IDC analyzed our existing data set of CDP vendors that have previously responded to our CDP RFI to understand their market position in FSI. We identified the top 5 industries by percentage of company or business unit revenue and the percentage of CDP revenue within the top 5 industries. Vendors with financial services as one of the top 3 industries that also had financial services CDP revenue ranked in the top 2 industries were invited to participate in the research study. The study participants included:

- Large SaaS cloud application providers that launched CDPs in the past several years
- Pure-play CDP firms including some that have been in the market before the customer data platform name was coined (by independent analyst David Raab in 2013)

- A CDP and marketing software provider that began providing advanced analytics tools (now known as AI) over four decades ago
- A CDP software provider that is part of one of the largest global systems integrators (SIs)

## ADVICE FOR TECHNOLOGY BUYERS

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When the fit between the CDP solution and buyers' short- and long-term requirements is right, these solutions work exceedingly well and provide excellent business outcomes including improved CX metrics (NPS, CSAT, CLV, etc.), trust, and loyalty and improved customer revenue. To ensure the best fit, prospective buyers should start with assessing both their specific business and technical operating environments and objectives. FSI CDP requirements should also be assessed in this phase. CDP firms in this study have FSI knowledge, FSI-specific data models and use cases, and other industry content that can help buyers move quickly from installation to value realization. Some of these considerations are listed in the sections that follow. (For more details on the criteria used in IDC's analysis, refer to Tables 1 and 2 in the Strategies and Capabilities Criteria section of the Appendix.)

### CDP Buyer Business Criteria

- **Users and use cases:** For data and marketing operations users, capabilities that address applications systems integration, data quality, error handling, data science tooling, security, and compliance are generally more critical. Front-office users typically need intuitive user interfaces (UIs) to enable them to automate and understand sophisticated decisioning for audiences, campaigns, channels, offers, content, and so forth. In both cases, customer profiles and segmentation models should be refreshed based on real-time session behavior.
- **Industry:** This is especially critical for highly regulated industries such as financial services. Short-listed vendors should have strong reference accounts, data schemas that represent industry taxonomies, object models that support various go-to-market models (contact, account, household, brand, etc.), and all the requisite regulatory certifications, security, and scalability capabilities.
- **Company size:** Global organizations with multiple business units tend to have complex challenges with respect to data integration, coordination and collaboration, regulatory compliance, and data residency than smaller companies. In addition to the essential technical requirements, large enterprises should look for solutions that can deliver compliance, services, and support capabilities on a global scale in multiple languages with all the requisite data residency requirements. Smaller companies need to clearly define their expected outcomes so that they can prioritize the need for a CDP that offers analytics and activation versus one that is optimized for data aggregation.

### CDP Buyer Technical Criteria

- **Infrastructure maturity and complexity:** CDP buyers need to assess both the horizontal and vertical gaps in their infrastructure. Fragmentation in the data layer is the primary horizontal issue. In many companies, there are also weaknesses in the analytics and activation layers for specific business units, departments, or teams. In either case, CDP buyers should carefully think through their road map and the demands that rapid expansion of the CDP deployment will make on the technical specifications of the system.

- **Speed and scale:** Overall, the speed and scale capabilities of commercial CDP solutions are extremely impressive. The modern PaaS platforms on which CDP solutions are hosted provide almost limitless storage and compute capacity that can be independently scaled. One speed and scale consideration to watch for is the time required to deliver real-time, same page, in-application personalization. Customer expectations for this capability are currently at 50ms or less, and this time window will need to be faster (lower latency) in the future as customer expectations increase as generative AI is adopted.
- **Security and compliance:** Brands need to assure themselves as well as their customers that the data they collect and use to run their go-to-market operations is ethically and legally legitimate. They must also protect themselves and their customers from breaches and misuse. Most CDPs have embedded capabilities for compliance with major privacy requirements, but industry-specific capabilities do vary and should be carefully assessed.
- **Data management and analytics services:** Buyers need to consider the need for data operations and AI/ML modeling operations (ModelOps) to manage data quality and support new use cases. While these roles have become more common, and these competencies mature in marketing teams, CDP vendors and their partners will have to offer appropriate services to help customers optimize data pipelines; ensure data discovery, access, and lineage processes are intact; tune analytics and tagging functions to key use cases; and so forth. Monitoring generative AI in production will add additional complexities to protect customers from bias and model hallucinations.

## Other CDP Industry Buyer Considerations

- **Personalization and engagement:** CDP vendors continue to innovate up from the data layer and can provide alternatives to individual martech tools or applications within a marketing cloud. AI for marketing uses including real-time personalization and internally developed direct activation to digital engagement channels (email, chat, text, social media, voice, etc.) are available from CDP vendors. CDP vendors also have customer journey orchestration products that can deliver the next best interaction in the context of customers' expectations and needs and in their preferred communication channel, including same page personalization.
- **Data privacy and consent:** CDPs are recognized for their capabilities in this area that will continue to be at the top of the agenda for customers and CDP buyer executives. CDP vendors are adding more privacy capabilities as regulations expand in geographies beyond European Union (EU) with GDPR and the forthcoming AI Act and California with CCPA.
- **Data clean rooms:** With deprecation of third-party cookies, firms are more focused on the analysis of second-party, non-PII data to expand to new audiences that are adjacent to their existing customers. CDP vendors and other firms in the ecosystem are offering data clean rooms that provide a secure capability to collaborate with another firm to analyze and enrich shared customer attributes.
- **Composability:** Composability in the CDP market is most often discussed in the context of partnerships with cloud data warehouse providers (Snowflake, etc.). Reverse ETL and zero-copy technology is used by CDP vendors to build audiences and segments virtually with data residing in the warehouse. In some of these implementations, CDP buyers may not need full CDP functionality, leading CDP vendors to offer more modular configurations.
- **Generative AI:** CDP vendors continue to announce generative AI capabilities during 2023. Most show prompt-based user interfaces that enable marketers to describe (or select) a use case, optimize it with AI recommendations, watch the AI run the click-based UI and, when ready, launch into production. CDP vendors are building use case libraries for common activities that are vertical specific for FSI as well as horizontal uses.

## Summary

CDPs are on the critical path of helping brands become more customer centric. They are of course not a panacea and must be implemented as part of an enterprise customer data ecosystem designed to orchestrate all customer engagements regardless of who, what, where, when, why, or how anyone conducts them. Without an underlying enterprise service for customer data, end-to-end customer experience management is simply not possible. Data is the only resource in the enterprise that can function at the speed and scale needed to personalize moments for millions of customers in real time.

Customer experience management has fundamentally changed the purpose and practice of marketing – every customer interaction, customer-facing team, use case, and system must be connected to each other. The macrolevel implication for enterprise IT architecture is to tilt conventional departmental thinking on its side and solve for continuity. As customer engagement technologies exploded over the past decade, front-office functions were forced to implement separate systems for every operational use case (channels, analytics, personalization, privacy, etc.). This resulted in buying behavior that led to a proliferation of point solutions and suboptimal infrastructure characterized by "fragmentation by design" as each system had to be connected to many others over and over. CDPs provide a way to refactor the infrastructure as if it was built from the data and analytics layer up without having to rip and replace a host of customer-facing systems across the front office. (The Appendix provides more details on CDP functionality, architectural implications, use cases, and market trends.)

## VENDOR SUMMARY PROFILES

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This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

### Twilio

After a thorough evaluation of Twilio's strategies and capabilities, IDC has this company in the Leaders category in this 2023 IDC MarketScape on customer data platforms for the financial services industry.

Twilio is a public multinational company with global headquarters in San Francisco, California. Twilio was founded in 2008, before the market now called customer data platforms existed. Today, Twilio operates in two business units – Communications and Data and Applications. Twilio's CDP, Segment, is a significant part of the Data and Applications business unit and was acquired by Twilio in 2020. Twilio Segment was ranked number 1 in IDC's 2019, 2020, 2021, and 2022 CDP market share documents.

Quick facts about Twilio include:

- **Employees:** 6,428
- **Industry focus:** Information technology, financial services and insurance, consumer brands, manufacturing, professional services, and other industries
- **FSI CDP data:** Cloud native
- **Pricing model:** Subscription-based licensing model
- **Primary CDP products:** Twilio Segment CDP (including Connections, Segment Unify, and Protocols) and Twilio Engage
- **FSI focus:** Banking and payments, insurance general and life, and securities and investments

- **Primary FSI customers:** JP Morgan Chase, Goldman Sachs, and Farmers Insurance
- **Partner ecosystem:** Has an extensive global partner community with some of the world's largest consultants, agencies, and regional consulting firms that focus on data and analytics

## Strengths

- **FSI fit:** Twilio Segment CDP offers specific data schemas that are out-of-the-box for FSI customers via the Protocols feature. Twilio Segment recipes for banking, insurance, and securities and investments are used to enable specific industry use cases within each industry segment. Twilio has 17 installed and/or available use cases across all three FSI segments, all of which are real time.
- **Predictions for marketers:** Twilio Segment CDP uses transparent, predictive AI models to analyze individual customer behaviors during real-time interactions, which can then be activated via audiences and segments or in real time for personalization. Predictions for next best action content or offer (for products and pricing), cross-sell, upsell, churn, and abandonment can be initiated via customer journey triggers, life-time value (LTV) calculations, or likelihood for other events tracked within Segment.
- **Marketing activation:** Twilio Segment CDP users can activate audiences/segments using AI/ML in a visual UI to multiple stages of orchestrated journeys across channels and real-time personalized actions triggered in a channel based on incoming journey data. Activation to external destinations is done using a significant number of prebuilt integrations with 12 destination categories including AdTech, martech, mobile, social, commerce, and customer service plus activation support for offline channels.
- **Innovation:** Twilio releases new enhancements to its CDP product monthly and announced several innovations as part of its CustomerAI initiative in August 2023 that will be available at various times over the next several months.

## Challenges

- **Attribution:** Twilio Segment does not provide attribution calculations within the CDP but provides the data so that customers can assess attribution in external BI or other tools. IDC recommends including attribution within the CDP.
- **Partnering:** Twilio Segment is building its partner program, and although the company has global implementation partners, it could be expanded.
- **Globalization:** While Segment has customers in over 100 countries and multilingual sales and support staff, its product, training, and documentation are available only in English.

## Consider Twilio When

Consider Twilio Segment for financial services if your firm is interested in a comprehensive and scalable CDP that can address the needs of both the largest, most complex firms in the industry and Fintech/Insurtech disruptors that are providing innovative new digital financial products to consumers and businesses. Three of the top use cases that Twilio Segment's customers are using include 360 customer views with behavioral trends and data science predictions of future actions, personalized experiences from onboarding to journeys to servicing, and first-party data activation for intelligent contact centers powering specific unique customer touch points to improve CX and increase NPS. FSI enterprise and smaller customers should consider Twilio Segment as a strong choice.



## APPENDIX

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### Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

### IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

### Market Definition

CDP applications software products provide the following baseline functionality:

- Ingest customer data from source repositories using ingestion connectors and store it persistently for activation through AI and analytics.
- Perform ETL/ELT on multiple data formats (including batch, streaming, structured, and unstructured).
- Resolve customer identities across sources, devices, and channels.
- Perform data hygiene functions (deduplication, completeness, freshness, and governance).
- Manage data from first- and/or second-party 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 (including real-time) capabilities.
- Activate the results of AI models through APIs to engagement channel tools and/or through built-in CDP capabilities to accomplish this.
- Utilize data virtually stored in cloud data warehouses and similar repositories through reverse ETL and related techniques that minimize data movement.

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, AI/analytics, and data orchestration; others are tuned for B2B, B2C, or DTC. Some are industry specific; others serve SMB versus enterprise segments. Regardless of its general or niche market intent, every CDP should be able to enhance privacy and consent management.

## LEARN MORE

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### Related Research

- *Worldwide Customer Data Platform Applications Software Forecast, 2023-2027: Market to Continue Fast Pace to \$7.3 Billion by 2027* (IDC #US50829723, June 2023)
- *Worldwide Customer Data Platform Applications Software Market Shares, 2022: Continued CDP Growth to \$2.7 Billion Proves Value of Unified Data for CX and Digital Business* (IDC #US50861023, June 2023)
- *IDC's Worldwide Software Taxonomy, 2023* (IDC #US50513623, April 2023)
- *Customer Data Platforms: Foundation for the Future of Customer Experience* (IDC #US50491223, March 2023)
- *IDC MarketScape: Worldwide Customer Data Platforms Focused on Data and Marketing Operations Users 2022 Vendor Assessment* (IDC #US48858321, March 2022)

### Synopsis

This IDC study analyzes the functional capabilities and go-to-market strategies of nine CDP vendors that serve the needs of financial services industry (FSI) customers, including users in marketing, marketing technology and operations, data science and analytics, IT, data operations, and privacy and compliance. This document provides guidance to help buyers define their customer data management needs and quickly get an appropriate short list of vendors that may be best suited to their segments of financial services, company size, and user base.

"CDPs are essential for financial services firms to deliver positive end-to-end customer experiences," said David Wallace, research director, Customer Data and Analytics Research practice at IDC.

"Competing on experience requires every customer interaction to inform and enhance every other, which is especially challenging in financial services given the multiple customer-facing businesses and engagement channels that exist in each segment of the industry. This can only be accomplished by making customer data an enterprise service that is not beholden to any one system or department. CDPs are exceptionally well suited to connecting data, connecting use cases and, ultimately, solving for continuity across all customer touch points while increasing use of generative AI to boost customer loyalty, lifetime value, and market share through personalization while improving internal productivity and efficiency."

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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