

Oracle's contact center future – strong partner or disruptive competitor?

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Ovum view

Summary

As the contact center industry quickly morphs in terms of structure, technology, underlying platforms, and participating competitors, it is difficult to predict the next turn in market direction. Several new vendors have already entered the fray, and which company might be the next disruptive force is anyone's guess. One company, Oracle, has chosen to remain a strategic partner to several contact center vendors without entering the industry as a provider and direct competitor. Given Oracle's strengths in customer experience management, and the fact that the company remains a source of leading-edge customer engagement solutions, Ovum has speculated about Oracle's intentions in the marketplace. In Ovum's view, Oracle's contact center business seems to be at a fork in the road – one that will result in the company either expanding its role as a valuable and trusted partner or directly entering the industry to become yet another disruptive force in an already anxious market.

The move to disrupt the market would not be Oracle's first

The contact center industry, which originated in the 1960s, was for the first 40 years a rather stable industry led by a relatively small number of large hardware and software providers that controlled the marketplace. During the last 20 years, product shifts to IP telephony, software-based solutions, and cloud-based products and services have left the more traditional contact center vendors and partners reeling as the marketplace sought a return to the stability and higher margins it once enjoyed. In addition, as a result of the lower barriers to entry, new market entrants, including Amazon Web Services, Google, Twilio, and ZaiLab, have further shaken the industry as it continues to seek a level of steadiness.

As exhibited in its recent OpenWorld event in San Francisco, Oracle has the fundamental capabilities, applications, leadership personnel, and product and service offerings to enable it to move into the contact center marketplace in a more direct way than it has operated in the past. While the company is well-equipped with a host of application suites that support customer service and contact center operations within its CX Service (Oracle Service Cloud and Oracle Engagement Cloud) and Field Service (Oracle Field Service Cloud) organizations, as well as in-depth consumer and business data collecting and handling capabilities, Oracle has chosen to remain a strategic partner to several contact center vendors without directly entering market as a provider and major head-on competitor.

Ovum has been anticipating the marketplace entry of Oracle and other well-known, large, well-funded, data-centric software providers, such as IBM, Google, Microsoft, and SAP, for several years, but for a variety of reasons the anticipated actions of these companies have been stifled or, in some cases, even terminated. If Oracle were intending to jump into the market as a fully equipped contact center provider, that could be accomplished through internal development or acquisition of one important missing part – namely, an automatic call distribution (ACD) offering. That appears to be the only significant missing piece of the puzzle for Oracle. An ACD is the underpinning of the contact center environment and a necessity to becoming a standalone provider.

Twelve years ago, Oracle made a strategic acquisition that many thought would complete the Oracle customer engagement solution and lead the company down this path. In June 2006, Oracle announced the acquisition of Telephony@Work, a pioneer of IP-based contact center technology,

with the plan of enhancing the Oracle On Demand and CRM application offerings the company was already providing to its customers. At the time, it appeared the Telephony@Work CallCenterAnywhere product would make Oracle the first CRM application provider to merge contact center technology and CRM software to deliver a complete customer-to-agent experience. The hope was that, through the merging of CRM applications with multichannel capabilities, customers could experience improved productivity with reduced cost and complexity as compared to the then normal integration process of dissimilar CRM, analytics, and communications technologies. This could have positioned Oracle as a thought leader in the contact center industry. Oracle made the decision to partner and integrate with several best-of-breed vendors in this space, giving joint customers the choice of which telephony solution they wanted to integrate with Oracle Service Cloud while making multiple acquisitions of leading digital channel providers like RightNow.

Oracle is at a decision point regarding contact center

Today, Oracle already has much of the infrastructure, database collection and management expertise, software applications, communication platforms, and leadership talent required to succeed in the contact center business. In addition, the company continues to build on its strengths and expand its portfolio by adding, through organic development and acquisition, products and expertise in related customer engagement areas that could make it a leader in the contact center field. Oracle has recently announced the proposed acquisition of DataFox, a frontrunner in B2B information and analytics, to complement its already strong position in the B2C customer information business, giving it what Ovum believes is a market-leading position in this area. Oracle continues to enhance its customer engagement portfolio through the development of its existing CX Service and Field Service offerings, as well as expanding into several advanced customer engagement-related areas that are soon to reshape the industry, including IoT, behavioral analytics, artificial intelligence, and machine learning. Ovum believes Oracle is at a fork in the road regarding its future.

Certainly, Oracle could continue on and expand its current path in the customer engagement market by supporting successful cloud and premises-based contact center partners such as Five9, Genesys, and Twilio, while expanding its partner base by broadening its industry ties to a larger set of partners. Conversely, Oracle might decide that it is time to take advantage of its already strong and expanding asset base in customer experience and capitalize on its broad platform approach to customer engagement. This would include a powerful combination of CX Cloud, Oracle Service Cloud, Oracle Engagement Cloud, and Oracle Marketing Cloud; B2C and B2B data services; the recently announced Oracle CX Unity platform (a customer intelligence platform offering a single view of the customer); its IoT, AI, and behavioral analytics solutions; and the company's ability to deliver end-to-end data across marketing, sales, service, and commerce.

The missing piece would be an up-to-date cloud contact center ACD that would be the centerpiece of its customer engagement product and service offering. This product gap could be filled internally, as Amazon and Twilio did, or via acquisition, as NICE Systems did when it acquired inContact. More recently, the acquisitions of NewVoiceMedia by Vonage and Dimelo by RingCentral reinforced the fact that the shift toward CCaaS players developing end-to-end engagement platforms continues. However, it should be noted that the base of independent contact center vendors available to be acquired is shrinking, but a few interesting vendors and products remain available.

The current state of the market could make the timing right

Oracle's customer engagement strategy depends on the company's appetite for risk and its desire to jump into a new market area that, by most forecasts, can become quite rewarding in terms of addressable market and profitability. But this will require a strong company investment and strategic focus in terms of budget and people. On the other hand, the recent disruption in the marketplace caused by new market entrants, new technology, more flexible pricing strategies, and the evolving contractual relationship between customers and providers may make this a perfect time for Oracle to move to capture market share, add some diversity to its portfolio, and provide a full-line offering to end users from a trusted name in software and information management.

The decision for Oracle is whether the risk of disturbing several successful partnerships is worth the potential gain in becoming a key player in a new, but very related, rapidly growing global business. Ovum believes a move by Oracle to jump into the contact center marketplace with a full and robust end-to-end offering, while adding another level of disruption to an evolving industry, might be well-received by Oracle's current customers and prospects and provide a strong and competitive offering that would stimulate competition and benefit the marketplace.

Appendix

Further reading

"Oracle uses AI, data, and the cloud to free enterprises to focus on business," INT002-000188 (November 2018)

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