



# IS A CUSTOMER DATA PLATFORM RIGHT FOR YOUR BUSINESS?

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## Introduction

The Chief Marketing Officer's job has changed greatly in recent years. Not so long ago, goals were tied to hard-to-measure terms like brand value, most time was spent developing and buying advertising, and technology was barely present. Today, CMOs are expected to drive measurable improvements in revenue, are responsible for all aspects of customer experience, and spend more on technology than paid media, staff costs, or outside agencies. It's little wonder the average CMO tenure is half that of the CEOs they report to.

If there's one key to success in this new world, it's customer data. Marketers need data to power their marketing technology, to drive better customer experience, and to tie results to revenue. And while good data alone won't guarantee success, poor data can make failure inevitable.

This paper will take a closer look at the connection between data and revenue and at how a new class of system – the Customer Data Platform – can help bring them together.

## Importance of Customer Data

Until recently, most marketers had little information about who their customers were and even less about their behavior. Most retail purchases were made in cash with no record of who bought what. Most advertising went through mass media where it was impossible to know who saw what. Even in the mail order industry, where sales were always tied to a known customer, the data was kept on paper records or inaccessible computer files.

Today's world is quite different. Most advertising is now digital, with at least the possibility of knowing who saw which messages and how they reacted. Many

purchases are online and even offline purchases are recorded in digital systems that can tie the transaction to a known individual. Moreover, customers know they're being tracked and expect the information to be used for their benefit: that is, they expect offers and discounts tailored to their interests, purchase processes that are fast and simple, and customer service based on a detailed knowledge of previous interactions. CEOs share the customers' assumption that detailed data is widely available, although they expect it to be used to maximize profits.

Most marketers are painfully aware that the actual state of their data is nowhere near as good as their customers and CEOs assume. So they find themselves struggling simultaneously to improve their information and to make the best use of what's already on hand. The ultimate goal is to measure the impact of each activity on customer behavior, so activities can be optimized over time to yield the best possible results. The process can be broken into four major tasks:

### The CMO's World

**74%** say marketing is primarily responsible for martech management<sup>1</sup>

**73%** say marketing is responsible for customer experience<sup>2</sup>

**64%** say their demonstrating the impact of marketing on financial outcomes is their greatest C-suite communication challenge<sup>3</sup>

**53%** say increasing revenue is management's expectation for marketing<sup>4</sup>

**29%** of marketing budget is spent on martech<sup>5</sup>

**3.6 Year** average CMO tenure vs 7.2 year average CEO tenure<sup>6</sup>

<sup>1</sup> Gartner, 2018 Marketing Technology Survey

<sup>2</sup> Digital Ascendant, Winning at Cross-Channel to Deliver a Cohesive Customer Experience, Fall 2018

<sup>3</sup> Fuqua School of Business, The CMO Survey, February 2019

<sup>4</sup> Forbes Insights, The Modern CMO, 2019

<sup>5</sup> Gartner, CMO Spend Survey 2018-2019

<sup>6</sup> Winmo, The CMO Lifecycle, 2018



**Identify each customer:** Every advertisement, email, phone call, retail purchase, and service request should be tied to a known individual. This is easy in channels like email, where the customer can only be addressed with a unique identifier. It's much harder in other channels, like Web site visits or in-store shopping, where the customer has no reason to identify herself until she's ready to buy. Technology does offer ways to track individuals even when they don't purposely reveal their identity, but these are not always effective and are increasingly limited by privacy regulations. Identifying the customer also requires linking identifiers that are not inherently connected: you can't tell by looking that a particular email address and phone number belong to the same person.



**Capture and unify customer behavior:** It's not enough to know who a customer is; you also need to know what they do. This means capturing the details of Web site visits, purchase transactions, responses to offers, email opens, mobile app clicks, typical spends, product use, service problems, referrals, social media comments interactions, and more. This data must be assembled into complete profiles, enhanced with attributes such as age and interests, and made available for further use.



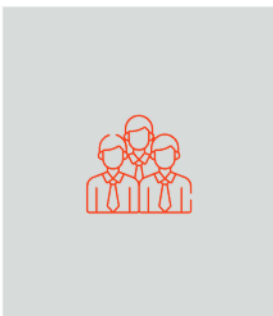
**Analyze and predict:** Marketers need to find patterns within the assembled data so they can understand past behaviors and predict future events. Some of these patterns are easily visible once the data is collected. Others require sophisticated analytical processes to detect. The ultimate goal is to generate insights into why customers do what they do and how their company can influence customer behavior in positive ways.



**Execute programs, measure their results, and improve:** Finally, marketers must use the data to execute new programs and measure their results. This requires sharing the data with systems that select treatments, send messages, process transactions, and deliver service. Some of these systems will be managed by marketing and others will not. They all contribute to the customer's experience and affect her future behavior. Thus, they must all be captured and fed back into the system so marketers can learn from what happened and make adjustments to improve future results.

## Customer Data Challenges

Each of these four tasks is a link in the chain that connects marketing activities to business results. Each faces its own challenges.



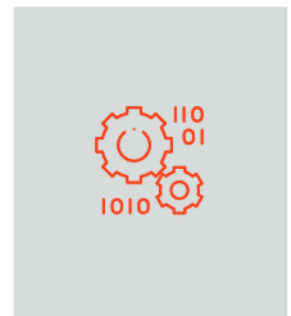
**CUSTOMER IDENTITY**



**CUSTOMER BEHAVIOR**



**ANALYTICS**



**EXECUTION**

**Customer identity:** Some interactions are not linked to any identifier; some identifiers are not linked to actual people; and it may not be clear when several identifiers relate to the same person. People often provide incorrect identity information by accident or on purpose. Privacy regulations are making identifiers harder to collect and share. The net result is that identification will always be less than perfect. Marketers must do the best they can within these constraints.

**Customer behavior:** Customer data is captured in many different systems. The data is not always accessible, complete,

consistent, accurate, or retained as long as marketers might need it. As a result, marketers must typically extract data from the source systems, clean and standardize it, link customer identities, and store the results. They may then need to reformat the data so other systems can access it efficiently, ideally without losing any of the original details. Some or all of these processes must happen in real time to support particular marketing needs.

**Analytics:** Systems to analyze data and make predictions often require data to be converted into particular formats before they can process it. Analytical processes usually require skilled users, either to do the work or to supervise automated systems which can easily make mistakes that would go unnoticed. Marketing attribution – the process of measuring the impact of marketing programs on customer behavior – is a particularly difficult task that often requires specialized analytical techniques and may rely on specific marketing program designs, such as setting aside control groups at the start of a project.

**Execution:** Customer interactions occur in systems run by marketing, sales, service, and operational departments, as well as external agents. Connecting with a central customer database may be difficult or impossible, especially in real-time. Some systems will not be able to execute the kinds of programs that marketers might want, such as identifying customers or delivering personalized messages. Similarly, the systems may not be able to return the specific information needed to trace customer behaviors in detail.

## The Customer Data Platform

Customer Data Platforms are defined by the CDP Institute as “packaged software that creates a persistent, unified customer database that is accessible to other systems”. That is, they are systems designed specifically to assemble and share customer profiles. They can help to resolve each of the challenges listed above.

**Customer identity.** CDPs provide a place to collect customer identifiers as these are captured by source systems. All CDPs can link customer records when they are provided with a common identifier. Nearly all can store relationships among identifiers, such as the fact that a particular email address and phone number belong to the same person. Many have connections to external systems (“identity graphs”) which will provide additional relationships based on their own data. Some CDPs apply rules and algorithms to compare records and find matches on their own. These matches may be accompanied by a probability estimate and users may have the option to decide what degree of confidence is required to accept a match as valid.

**Customer behavior.** CDPs ingest data from source systems and store it in their own database. They are designed to collect data via API connections, queries, and file transfers; to accept all data types, from structured files to unstructured text; to retain the full detail of all ingested data; and to store the data for as long as needed. Many have extensive features to clean and transform the ingested data and to make it available to other systems in specialized formats. Nearly all provide real time access to the stored data although details will vary. Some CDPs can also access data stored outside of their own system, a feature that is most relevant to data that changes frequently such as weather, location, inventory levels, or stock prices.

**Analytics.** All CDPs provide basic segmentation capabilities, which allow them to send extracts of their database to other systems. Some have additional sophisticated analytical features such as predictive modeling toolkits for skilled users, machine learning algorithms for automated model building, offer or content recommendation engines, data exploration tools, report writers, and visualization. A few have specialized algorithms for marketing attribution.

**Execution.** All CDPs can connect with external execution systems for message delivery. These systems may still generate personalized messages for outbound channels such as email and Web advertising and for real time interactions in Web sites, mobile apps, and call centers. Some CDPs include integrated execution systems, which saves users the need to integrate with other systems. But even these vendors offer clients the option to use external delivery systems instead.

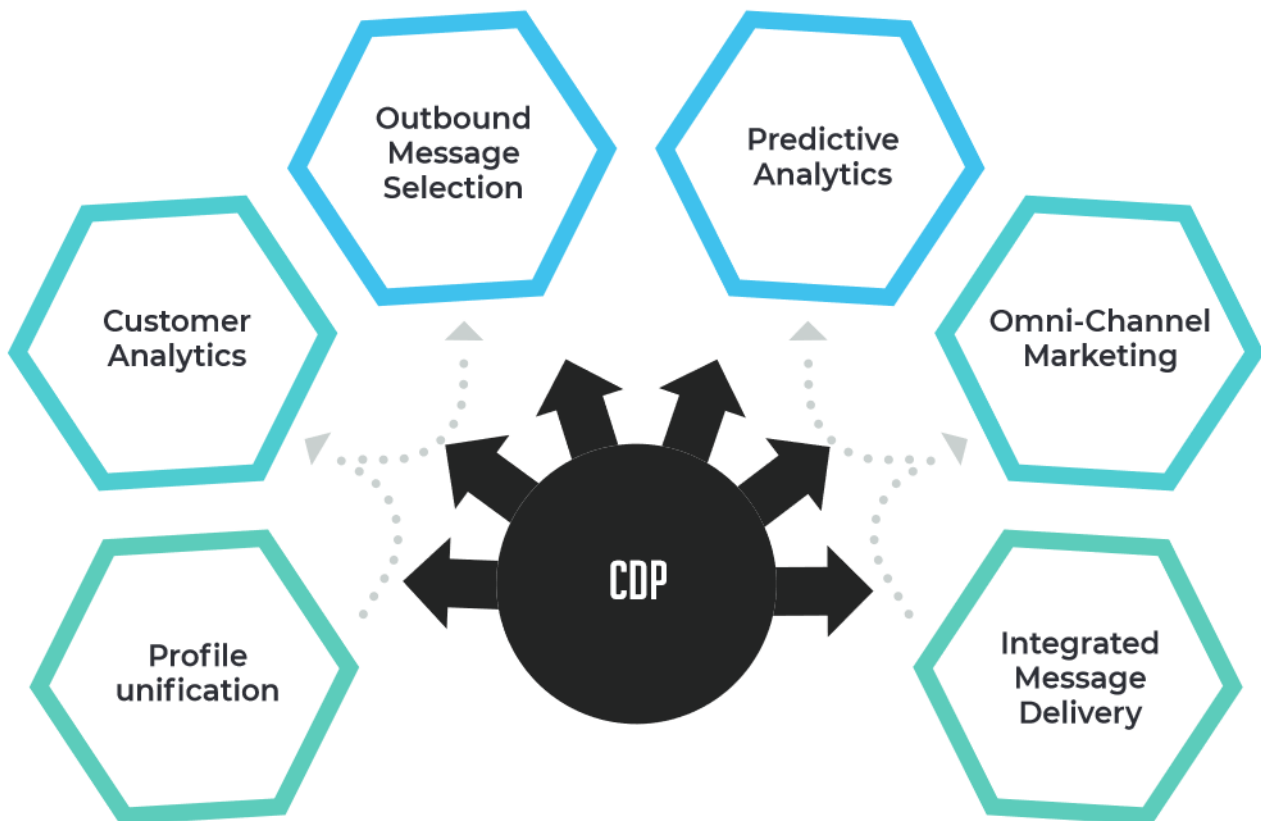
## CDP Benefits

The primary benefit of CDPs is that they are designed specifically to assemble and manage a unified customer database. Many have extensive libraries of prebuilt connectors for common source and execution systems. They have flexible data structures that can easily accept new inputs without extensive data modeling; they assemble unified customer profiles; and they can share profile contents with minimal technical effort. This particular combination of features is unique when compared with other types of systems that also manage customer data:

- Data warehouses are highly structured, often requiring extensive technical effort to add new data elements or sources
- Data lakes store ingested data without combining it into unified customer profiles
- Integration platforms move data between systems but do not store it in a permanent database
- Marketing automation and CRM systems are mostly limited to data they generate internally and often provide limited access to external systems
- Marketing clouds store data in separate silos without assembling a single, unified customer database

## Do You Need a CDP?

The best way to tell whether a CDP makes sense for your business is to identify marketing programs it would make possible. These would be programs you can't do now because of some gap in your systems that a CDP would fill. Because CDPs offer such a wide range of capabilities, it makes sense to consider these in six different blocks:



**The first block relates to the core CDP function of building unified profiles.**

#### **Unified Profiles:**

This includes all functions to ingest data, link identifiers, build unified profiles, and share the profiles with other systems. Some typical use cases for that include:

- Onboarding Third part data enrichment: Send new customer email address to external data providers onboarding service; receive postal address and demographics to add to customer profile
- Combine online and CRM data: Match email address provided with ecommerce order to existing customer loyalty account to properly credit purchases
- Combine browsing and in-store purchase data: Use cookie ID to identify customer and store products browsed on Web site; correlate with subsequent in-store purchases by that customer
- Map historical activity to customer profile: Create rich profiles by mapping anonymous customer browsing behavior to an individual's profile after they sign-up/ login to e-commerce using the same device

**The second block contains functions that take advantage of the unified customer profiles created by the CDP. These functions are found in many but not all CDP systems.**

#### **Customer Analysis:**

This includes functions to analyze customer profiles, create segments, predict behaviors and apply attribution. Sample use cases include:

- Find high value customers. Use combined online and instore purchase history over time to accurately identify high value customers
- Measure campaign effectiveness: Use split test to compare in-store purchases of customers who were included or excluded from web ad audience
- Predict likelihood to churn: Proactively identify at-risk customers and arrive at tactics to engage them
- Locate field events based on geo-mapping of customer value: Use customer lifetime value and purchase potential to select best stores for field events.

#### **Outbound Message Selection:**

These are functions to select records for outbound campaigns such as email, Web and social display ads, and direct mail.

- Personalized message selection: Select products to offer in weekly loyalty email based on past purchase history
- Reactivation campaigns: Target web advertisements direct mail or app notifications at customers who have stopped opening promotional emails
- Trigger messages: Send extended warranty offers to appliance buyers whose manufacturer's warranty is about to expire

**Real Time Interactions:**

These manage real time interactions in channels such as Web sites, mobile apps, call centers, and programmatic advertising

- Real time behavioral profiling: Classify anonymous website visitors in real time based on their behaviors
- Location-based personalization: Send personalized offer via mobile app to customers who are near a retail location or in a particular aisle in-store
- Agent access to individual profiles: Present call center agent with complete view of customer history including real time updates of website behavior

**Predictive Analytics:**

These add predictive model output to customer profiles. Models may estimate likelihood of a single action, recommend the best content or product, estimate future customer value, etc.

- Value prediction: Estimate future value of new ecommerce customers using model based on CDP data for previous customers, and adjust offers accordingly.
- Best offer selection: Select best Web site offer using model based on CDP data.

Lookalike models: Select best prospects to target on paid social ads using model based on CDP data.

**Omni-Channel Marketing:**

These are functions that coordinate customer treatments across channels.

- Retention campaigns: Find optimal retention message for each customer and send in their preferred outbound channel
- Cross-channel campaigns: Select optimal discount offer for different customers and ensure that each customer always sees the same offer across all channels.
- Pre-emptive support: Automatically send email with relevant information to customers who have spent excessive time searching online help center for solution

**The final block describes functions to deliver messages. A few CDPs currently offer this capability and it is becoming more common.**

**Integrated Message Delivery:**

These functions relate to specific channels.

- In-store app messaging: Send tailored offer messages via mobile app to in-store customers
- Email response: Send purchase receipt via email to customers who request this when making in-store purchase
- Update retargeting lists: Immediately remove customers from email retargeting list when they make online purchase
- Optimize ad spend: Suppress digital campaigns for customers who just purchased in-store

Only the first block of use cases, Unified Profiles, are unique to CDPs. Functions in the other blocks all benefit from the unified profiles but may be provided either by a CDP or by separate systems that do analytics, segmentation, message selection, or delivery. Whether a company wanted them in a CDP would depend on what other systems it already had in place.

## What Next?

Today's CMOs face many challenges. Good customer data can help to solve many of them, by making marketing more efficient, enabling better use of marketing technology, measuring the impact of marketing programs on revenue, and improving customer experiences. Customer Data Platforms are powerful tool for improving customer data and can fill additional gaps from analytics to personalization and message delivery. If your company needs to make better use of its customer data, CDPs can be the key to success.

### About Manthan

Manthan Customer Marketing Platform is designed for B2C industries including retail and restaurants. The solution empowers marketers by creating unified customer profiles, enriching data and providing real-time insights that enable effortless decision making. Manthan's customers have benefitted from higher data accuracy, greater marketing ROI, faster campaign setup, increased customer engagement and significant reduction in customer churn. All this, in unmatched time with its pre-built applications and algorithms, that speed up deployment times.

There are three components of the customer marketing platform: (a) customer data platform that is built for business users (b) AI advanced analytics that surface deep customer insights and (c) marketing execution solution with omnichannel personalization capabilities to engage and add value to customers.

With 200+ customers in 23 countries, spanning segments of fashion, departmental stores, supermarkets & grocery, quick service restaurants and convenience stores, Manthan is a specialist for the retail vertical.

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### About CDP Institute

The Customer Data Platform Institute educates marketers and marketing technologists about customer data management. The mission of the Institute is to provide vendor-neutral information about issues, methods, and technologies for creating unified, persistent customer databases. Activities include publishing of educational materials, news about industry developments, creation of best practice guides and benchmarks, a directory of industry vendors, and consulting on related issues.

The Institute is focused on Customer Data Platforms, defined as "a marketer-controlled system that maintains a unified, persistent customer database which is accessible to external systems." The Institute is managed by Raab Associates Inc., a consultancy specializing in marketing technology and analysis. Raab Associates defined Customer Data Platforms as a category by Raab Associates in 2013. Funding is provided by a consortium of CDP vendors.

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