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Embracing Customer Data Platforms (CDP) in Marketing Technology for Enhanced Customer Experience

Kalra Varun* and Kumar Raj

Department of Computer Science Engineering, Rattan Institute of Technology & Management, Palwal - 121105, Haryana, India

ABSTRACT

Digital marketers know that they need unified customer data but have struggled to create it. Recently a new SaaS based tool has appeared to solve marketers' problems called the Customer Data Platform. CDPs are marketer-controlled systems that assemble a unified customer data base and make it available to other enterprise systems.

A big challenge is that many marketers can't define how their business would use a CDP. Meeting that challenge requires a detailed understanding of what programs a CDP would support, what it must do to support them, and whether the CDP supports them better than alternative solutions. Businesses today have access to plenty of data than ever before. There's transactional data, demographic data, psychographic data and virtually infinite amounts of behavioral data. Add it all up and you've got data from anonymous ad impressions to known customer purchases, all the way through to product usage and customer service. This paper shed lights on how adoption of a CDP in digital advertising landscape can benefit marketers to deliver right content to right people and at right time. That in turn would enhance customer experience across the customer's journey and deliver greater return on investments in paid media ads.

KEY WORDS: CDP, Customer Data platform, DMP, Data Management platform, CLV

***Corresponding author**

Varun Kalra

M.Tech - Computer Science and Engineering,
Rattan Institute of Technology and Management,
Palwal, Haryana, India.

Email: varunkalra30@gmail.com, Mob No: 9654052535

INTRODUCTION

Enterprises across different verticals are increasingly adopting to the customer data platform (CDP). CDPs help these companies to consolidate customer data from multiple different sources, hence providing businesses with an eco-system of record for information about all of their customers and potential customers. Earlier, a CRM system (Customer Relationship Management) was able to solve this problem, but it was not built to address the volume and siloed data, for example: online interaction and media data) that is common today. It wasn't intended to collect data from multiple digital channels marketers use, nor was it intended to interpret what this data means about an individual. With a CDP, businesses bring data together and use it to create more meaningful and relevant customer touch points. This is simply not possible with a CRM, or traditional database.

Definition of a CDP

A Customer Data Platform (CDP) is a type of packaged software which creates a persistent, unified customer database that is accessible to other systems. Data is pulled from multiple sources, cleaned and combined to create a single customer profile. This structured data is then made available to other marketing systems. According to Gartner, customer data platforms have evolved from a variety of mature markets, "including multichannel campaign management, tag management and data integration."¹ A CDP is "a marketer-managed system that creates a persistent, unified customer database that is accessible to other systems".²

Customer data platforms "consolidate and integrate data from multiple heterogeneous sources into a single, trusted repository that supplies accurate customer data to analytical and operational systems throughout the Marketing Technology stack,"³

KEY BENEFITS OF CUSTOMER DATA PLATFORMS

1. Unified View of the Customer – one of the core functions of CDPs are to collect data from a wide range of data sources, unify it together to form a 360- degree customer view. This comprehensive view of the customer is derived from across the devices and channels, and then make that data available to other systems. That view of the customer can move with your business and customers to wherever it needs to be.

2. A CDP helps to build and connect a flexible technology stack that adapts to ever-changing consumer behaviour and changing technology trends. By focusing on the people-based data, CDPs gives businesses tools to collect data from everywhere and use it anywhere to drive better customer experiences. Hence, it enables organizations to react more quickly to changes in markets or customer preferences.
3. The value of customer data extends throughout any business. Marketing, business intelligence, customer service and beyond all depend on the availability of data to drive the business forward. A CDP democratizes access to and the ability to leverage customer data across enterprise departments and customer touchpoints. A CDP hence provides metrics and dimensions across a range of marketing initiatives such as website visits, campaign performance, content performance and customer journey view.
4. Effective Customer Experience and online Ads ROI – Customers are using multiple mediums and devices and have high appetite for consistent customer experience across all devices and channels. Customers do not want to be targeted for irrelevant content. With a CDP in digital marketing practise, enterprises get a full view of customer behaviour that can be used for better-quality and more-targeted interactions with customers and stakeholders.
5. The task of integrating point solutions and setting up new technologies and tools used to be resource-intensive, while also not being very reliable as custom solutions can be hard to maintain. CDPs centralize customer data with maintained technical integrations and saves hours of implementation work. Also, audiences and preferences rules are set up centrally and can be applied across various tools saving huge amounts of repetitive work.

CDP Vs. CRM

CDP and Customer Relationship Management (CRM) tools both collect customer data and provide value to your organization. But the real difference stays in: where a CDP creates unified customer profiles with data collected across a variety of online and offline data sources, whereas a CRM only tracks a customer's intentional interactions with a company via manual entry.

Key differences between a CDP and a CRM:

1. CDPs collect data on unauthenticated and authenticated visitors, whereas CRMs only report on known customers or potential customers.

2. CDPs analyse throughout customer journeys, whereas CRMs primarily analyze the sales orders and forecasting.
3. CDPs track both online and offline customer data, whereas CRMs relies on manual entry of offline customer data.
4. CDPs are built to handle multiple data points or behaviour data from many data sources, meaning the chances for replicated or loss of data is trimmed. On the other hand, CRMs collect individually-entered data that can get lost or duplicated.

CDP Vs. DMP

David Raab, founder of the CDP Institute¹, explains the distinction between CDPs and Data Management Platforms (DMPs): “CDPs work with both anonymous and known individuals, storing PII (personally identifiable information) such as names, zip codes, email addresses, and phone numbers, while DMPs work with almost exclusively with anonymous entities such as cookies, devices, and IP addresses.”

Key differences between a CDP and a DMP:

1. CDPs activate over all types of marketing channels, whereas DMPs mainly activates over online advertising to better target and reach relevant audience segments.⁴
2. CDPs have access to first-party data (direct from the sole owner), whereas DMPs collect first, second (partner data) and third-party data (through data providers and data sellers).
3. CDPs report on personalized, specific customer identifiers (like name, email address, and CRM ID), whereas DMPs report on anonymous customer identifiers (like cookies, etc.)
4. CDPs keep data stored over a long period of time to build specific customer profiles and maintain relationships, whereas DMPs store data for a short period of time to people for ongoing ad campaigns and build lookalike segments.

CDP USE CASES

Some core use cases that all brands will implement after getting CDP in their practise are as follows:

1. Digital Marketing Campaigns:

Use cases focussed on segmenting customers based on value, behaviour, and attributes so marketers can deliver personalized content on every interaction, across every outbound marketing execution channel. Examples, which are all based on any number of real-time customer attributes, include:

- Email campaigns
- SMS/ push notifications
- In app notifications

2. Digital Advertising:

Use cases that engage customers through digital advertising, where first party customer data is used for acquisition and remarketing campaigns. Examples include:

- Media suppression of already converted customers
- Showing high value ads to most engaged visitors
- Social media ad campaigns

3. Customer Experience:

Personalization - focused CDP use cases for one to one, relevant customer interactions and offers on the website and all other customer-facing systems. Examples include

- In-store offers
- Call centre data
- Onsite and offsite content personalization

4. Data Analysis:

Use cases that measure and predict KPIs (Key performance indicators) such as attribution, lifetime value, clusters, propensity to buy, etc. A CDP should have a UI (user interface), and APIs (Application Programming Interface) to access these details. Examples include:

- Attribution tied to customer lifetime score and acquisition sources
- Audience Segmentation
- Propensity to engage, buy, unsubscribe, and convert
- Next preferred product or upsell

CDP MARKET

The Customer Data Platform market is currently going through huge growth and rapid acceptance. The number of data sources has grown exponentially, which is providing the opportunity for CDPs to integrate these sources quickly and in real-time. According to a study by cdpinstitute.org¹, 27 CDP vendors collectively generated more than \$300 Million in 2006 and is growing to touch \$1 Billion by 2019. The total funding across all businesses exceed \$1.2 Billion at the start of 2018 with over 4000 enterprises deploying CDPs within their organizations.

Table 1. CDP adoption rate year

	As of	As of	As of	One Year Change
Date	1/17	7/17	1/18	
Vendors	24	40	52	117%
Employees	1,991	3,149	4,388	120%
Funding	\$960	\$1,038	\$1,239	29%

CDPs are starting to implement AI (Artificial Intelligence) & Machine Learning concepts. They are starting to recognize patterns and make recommendations. With evolution, their predictive capabilities are expected to become more accurate, leading to better value realization from CDP investments.

EXAMPLES OF CDP

List of CDPs can be found on the CDP Institute website¹. Major CDP vendors are Exponea, Evergage, Blueshift, Custora, Action IQ, Agil One, Blue Conic, Custobar, Datorama, Lytics, ONE count, Optimove, Quaero, Quick Pivot, Retention Science, Simon Data, Tealium, Zaius and Lemnisk.

CONCLUSION

Customer Data Platforms empowers marketers to create a unified customer view. The real worth of that unified data can be reaped by activating it and gaining the insights to do so. Following are the challenges⁵ that can be addressed by CDPs:

- What was the customer purchase journey?
- Which segments or audience groups does this customer belong to?

- Whether the customer is likely to convert?
- Whether the customer is likely to leave?
- Whether the customer's interests and preferences have been changed?
- What is a customer's purchase behaviour, timing and cycle etc.?
- What is the current value and propensity of this customer?

This is just a glimpse, and it might seem that it is related to web and mobile analytics. But it is about be able to decide on the right segments, user journeys, marketing funnels, customized experiences, and timings (while validating hypotheses, doing A/B tests etc.) to improve CLV (Customer Lifetime Value) and prevent customer turn away.

Once you combine the underlying data and insights, they can lead to even more robust and valuable experiences.

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