

THE COMPLETE GUIDE TO

# CUSTOMER DATA PLATFORMS



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### **So are you ready for a CDP?**



There is a growing hype around a new buzzword in the Digital Marketing and Advertising space around

## **Customer Data Platforms (CDP),**

and with good reason.

CDPs promise to do the one thing that has eluded marketers for years: unify customer data across all digital touchpoints in a single platform, providing meaningful insights and helping marketers deliver consistent, targeted and contextually relevant experiences across channels.

Along with the hype surrounding CDPs, there's also a lot of confusion about what a true CDP is capable of. Here are some of the questions that marketers are asking:

- **Are CDPs truly the unicorn that marketers were in search for all these years?**
- **Are CDPs similar to existing marketing platforms?**
- **Can a CDP replace a business' existing marketing systems?**
- **When is an organization ready to adopt a CDP?**

This guide will give you all the information you need to understand what a CDP is and how one might benefit your business.

# AN INTRODUCTION TO CDP

The term  
**Customer Data Platform**  
was coined in 2013 by  
David Raab, who later went  
on to found the CDP Institute.  
By 2018, the term has been  
universally adopted.



## According to Gartner:

*A customer data platform (CDP) is a marketing system that unifies a company's customer data from marketing and other channels to analyze customers, enable modeling, and optimize the timing and targeting of communications. It includes a user-friendly interface that helps activate customer data and enable personalization across multiple channels.*

**In today's world, the importance of CDPs cannot be underestimated. The data challenges listed below are all being addressed with the help of these new platforms:**

**1. Your customer data is siloed:** Different customer-facing platforms collect data in a siloed form which could be vastly different and end up polarizing your efforts. Since there isn't a platform that could unify and clean this data to be viewed from one single viewpoint, a lot of businesses cannot create the seamless customer experience they are aiming for.

**2. Your customer data is messy:** Each customer-facing platform, customer database and directory has its own way of collecting and storing data; it can be in the form of DBs, CSVs, XML or (commonly) proprietary formats. This makes sharing, exporting or importing data from one platform to another a lengthy and error prone process. This leads to ineffective use of your time and money in cleaning the mess up before you can truly focus on what matters: your customers.



**3. Your customer data needs to be secure:** When there are such drastic levels of fragmentation in customer data collection, there is a serious threat to the security of sensitive customer data. You need to manage the security of multiple systems, increasing the likelihood that data could get into the wrong hands, via activities such as cyber-attacks and deployment or development errors (poor API implementations, integration loopholes and errors, etc.) and more.

**A Customer Data Platform** is the backbone of a unified, identifiable customer dataset that's ready to be used to deliver high-value and contextually relevant customer experiences right out of the box without waiting for a development team to get onboard. CDP is a mindset that has been realized by a few players in the market and offers you complete control over your customer experience and digital marketing. Think of it as your own Excalibur.

# HOW DO CDPs COMPARE TO OTHER MARKETING TOOLS?

CDPs are relatively new compared to other types of marketing technology. Before the advent of CDPs, marketers tried to fill the data-unification gap with other products, namely Data Management Platforms (DMPs), Customer Relationship Management systems (CRMs) and Marketing Automation Systems (MASSs). CDPs offer many of the functionalities of these different systems, in one platform. Below, we take a look at the differences between these common digital marketing tools and CDPs.

## **CDPs vs DMPs**

CDPs build a complete customer profile by unifying first-party and third-party data as well as performing identity resolution. These profiles can then be targeted with real-time personalization, advertising, customer experience and analytics. Data Management Platforms, on the other hand, rely solely on third-party data sources to build audiences, mainly for advertising purposes.

## **CDPs vs CRMs**

CRM solutions are widely adopted by B2B marketers and have evolved by trying to accommodate some B2C use cases, too. CDPs, on the other hand, were specifically developed for the B2C world. CRMs have traditionally been limited in terms of the channels and data sources they can ingest, having, for example, limited integration with helpdesks, email services, etc. In contrast, a CDP is able to bring in customer data from any online or offline source.

CRMs are limited in the range of ways they make data actionable and are generally used to keep track of a sales cycle, renewal of accounts, upsell and cross-sell. CDPs support the full range of customer data use cases, encompassing aspects such as customer acquisitions via organic and inorganic digital channels, activation of acquired customers, improving conversions, retaining and renewing customers, finding opportunities to upsell or cross-sell product, providing personalized recommendations and more.



## CDPs vs MASs

Before the advent of CDPs, most marketers used Marketing Automation Systems (MASs) to house their database of customer profiles, transactions, product and campaign history.

Marketing Automation Systems (MASs), in the ideal sense, are systems that allow you to sell your product the way large eCommerce retailers do – by providing you methods to nurture and sell to your prospects in a highly personalized manner, with meaningful interactions over a variety of digital channels such as web, push, mobile and more. But in reality, MASs have become a behemoth set of tools that require an individual or a team to set everything up from scratch; they require a lot of manual effort and are difficult to tinker with once deployed. Using a MAS to its full efficiency has slowly become a fairy-tale, and unless you have a dedicated team handling the multiple aspects of your software, you can't do much. Furthermore, most MASs lack real-time data updates, behavioural data, and modern connectivity compared to other systems.

CDPs, on the other hand, offer a robust real-time environment that can manage massive data sets with the use of AI and machine-learning (ML) technologies, so that the human intervention factor remains at a bare minimum.

Customer Data Platforms are built with marketers in mind. They are highly intuitive to understand; programs and campaigns can be set up visually using simple yet sophisticated user-interfaces, and all the data is collected via ML algorithms, so you don't need a dedicated IT team to maintain your CDP's potency.

# WHAT DOES BUYING A CDP MEAN?

You might by now be wondering whether buying a CDP would mean you can get rid of all the other systems? Certainly not! A CDP is a system that has the ability to aggregate data collected by different systems in one place, and specifically for the use cases that a marketer would be interested in.

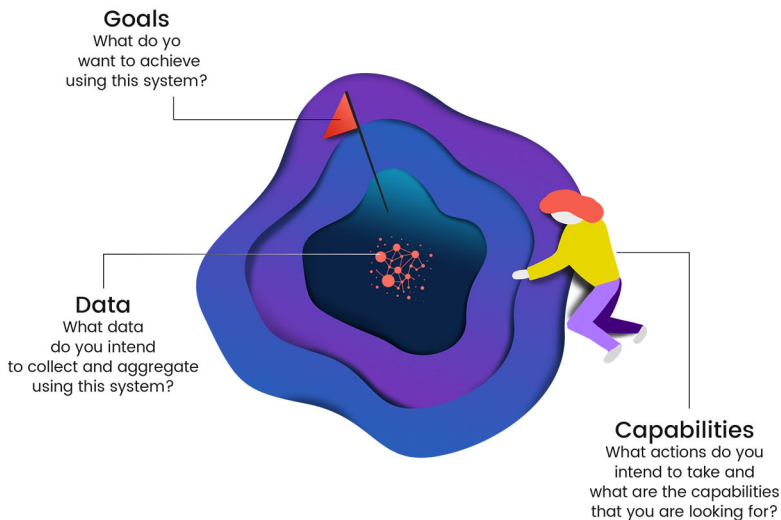
For example, if a CDP is integrated with your helpdesk, it does not mean that the CDP can now help you manage support tickets.

A CDP would help you leverage some information from those support tickets that could lead to better marketing communication to your users.

# A DEEP DIVE INTO CDP

Most guides in the market give you a 10,000-foot view of how to evaluate a CDP. But given this is a topic that requires in-depth understanding before making an investment decision, we decided to take a different approach. This guide will serve as a practical tool to help you understand what a CDP offers and how to evaluate its capabilities.

Essentially, while evaluating a CDP, there are three elements you need to keep in mind:





A business's goals for a CDP will differ based on the maturity of its marketing program and business priorities. We have identified five key capabilities of a CDP that will satisfy common business goals:

- **Unified Customer View:** This is one of the top use-cases of a CDP. Getting a 360-degree view of customers to better understand and target them can boost your marketing efforts. Instead of relying just on third-party data sources, CDPs also collect first-party and second-party data via an API. The system then normalizes and cleanses the data, making it available for business owners and marketers whenever they require it.
- **Real-Time Personalization:** One of the key aspects of providing an exemplary user experience involves real-time personalization, and large enterprises have strict requirements for class-leading personalization capabilities built into a CDP. CDPs allow you to create highly-enriched customer profiles and serve them personalized content and recommendations based on their behaviour, likelihood to purchase, customer lifecycle stage, lifetime value, previous purchases, wishlist and more.

- **Audience Segmentation:** Since a CDP caters to thousands, or even millions, of customers, robust segmentation is a must. CDPs allow you to target different customers based on their behaviour, historical data, last purchase made, likelihood to purchase and more.
- **Analytics/BI and Insights:** With CDPs, your analytics and BI tools feel like they are running on steroids. Now you can take advantage of all the data that these tools collect to build the right segments and deliver high-value personalized experiences. All of your analytical data could be imported from your apps to your CDP and displayed as one of the views for any given customer, rather than you having to open multiple tools to unify data and make sense out of it.
- **Boosting Advertising:** Since CDPs contain tonnes of data about your prospects, you can use advanced functionalities such as predictive segmentation to target the right audiences. Using predictive segments such as likelihood to purchase, you can target audiences who have a higher propensity to buy in ad channels, and improve your Return On Ad Spend (ROAS) significantly. CDPs readily integrate with ad networks and DMPs, making them a more effective tool in your arsenal. We'll explore this further in the next section.

# Data

One of the key benefits of a CDP that makes it truly effective is its ability to talk to a myriad of systems and aggregate and exchange data. Below are some of the key systems that a mature marketing team will be using, and some examples of how a CDP can integrate with and improve the effectiveness of these tools:



## CRM

CRMs are one of the most popular platforms used by almost all brands that have an online presence. Today, CRMs focus mainly on the sales aspect of your customer journey, and/or keeping track of a customer's lifetime. CRMs work well for tracking sales and renewal cycles, but fall short when it comes to providing effective communication with your customers during the process. Most CRMs readily connect with voice services and email services but have trouble integrating with other digital channels like push, web, mobile apps and so on.

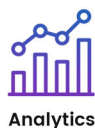
Introducing a CDP here, basically as an augmentation, mitigates these issues by giving you the means to interact with your customers by adding more channels (as we mentioned above) and helping you select the ideal communication path(s) for your customers. It can also provide insights into the customer's interests, likes and dislikes etc., contributing to a more holistic approach to making your next sales pitch.



Shopping Carts and Content Management Systems (CMSs) dictate the layout of your website, and what products customers will see.

CMSs and Shopping Carts provide CDPs with valuable user data, such as what's in their cart, what products they frequently search for, their likes, dislikes and more. In exchange, a CDP bolsters the performance of a CMS and Shopping Cart by personalizing the experience, recommending products that pique the interest of your customers, making them more likely to make a purchase.

For instance, when you open Amazon, Netflix or other vastly popular B2C websites, you're most likely to find products that are interesting to you. This increases the chance of conversion as well as content consumption. Amazon credits 37% of their revenue to such interactions, while Netflix credits a staggering 75% of their content consumption to personalized experiences.



Analytics is the backbone of any online business. It provides you with immense data about your customers: every move they make, every page they check out, their average session duration, purchase parity and more.

For a CDP, this data is a goldmine. A CDP can analyze customer personas based on your analytical suite and introduce innovative solutions across a customer's journey. For example, if a CDP notices that a customer is interacting with your mobile app more than your website or emails, it will focus on communicating with the customer via mobile push and in-app interactions to positively impact your business by, for example, increasing conversions, building engaging relations and more.



Tag Managers help marketers and businesses analyze user interaction in detail, analyzing their journey at each step. By placing a single tag on a website and selecting critical elements on important pages, Tag Managers can provide visitor interaction data on your website.

Tag Managers help CDPs understand user behaviour, find and optimize the most critical aspects of a website, and personalize experiences to deliver the right product to the customer.



### **MAS** Marketing Automation System

Marketing Automation Platforms are generally multi-channel platforms that take care of customer communication, qualifying and nurturing marketing leads. As we mentioned above, these functions perform well in an ideal situation, but it takes a great deal of time and cost to use these platforms effectively.

When a MAS is integrated with a CDP, however, the latter can take care of unifying the data, helping you to identify the most effective methods of conducting customer interactions, and build personalized customer journeys. This significantly decreases the amount of time and money you need to funnel into an automation platform and smooths the process of delivering high-converting, interactive customer experiences.



### **Ad Networks**

Since CDPs can assign a Personal Identification tokens or cookies to anonymous users, it amps your ad networks in a massive way.

It enables you to track the activities of anonymous users and show them advertisements based on their interaction on your digital channels. Consider this, if an anonymous prospect is interested in buying a floor mat, a CDP could retarget the prospect with floor mat products across the web with the help of various ad-networks like Google AdWords, Facebook Ads, AdRoll and mor to increase the chances of conversion, whereas if you are using a conventional ad network, this might not be possible at all.





## DMP

DMPs consolidate data through non-deterministic processes from a company's disparate systems across channels to create a statistically likely profile of customers. While some DMPs can collect and store some first- and second-party data, DMPs mainly rely on third-party data to create audiences. The first- and second-party data that is collected by DMPs is anonymized and hashed before being stored and organized for use by brands.

With CDPs you can add sense to these anonymized profiles and enrich them with real first-party and second-party data. This helps you identify your anonymized subjects, giving you more control over a customer's journey.



## ESP

An Email Service Provider (ESP) helps you engage with customers with the help of, well, emails. Most ESPs require considerable manual input, resulting in jarring workflows. Creating segments, designing personalized experiences and so on have to be manually addressed, hampering the productivity and effectiveness of an email campaign.

With CDPs, audience segmentation and personalization are taken care of automatically. The massive pool of data available on CDPs allows you to create micro segments with granular personalization. This enables you to deploy highly effective email campaigns that result in higher customer engagement and digital growth.



## Offline

A lot of global brands today are using CDPs to bridge the gap between offline and online customer interactions. Here is just one example of how this might work:

If a loyal online customer decides to shop in an offline store, the cashier can quickly identify that the customer has been frequently shopping via their online store and, as a small gesture, provide the customer with a 10% discount just for shopping in-store. This creates a “wow” experience for the customer and strengthens their loyalty towards your brand.



## Help Desks

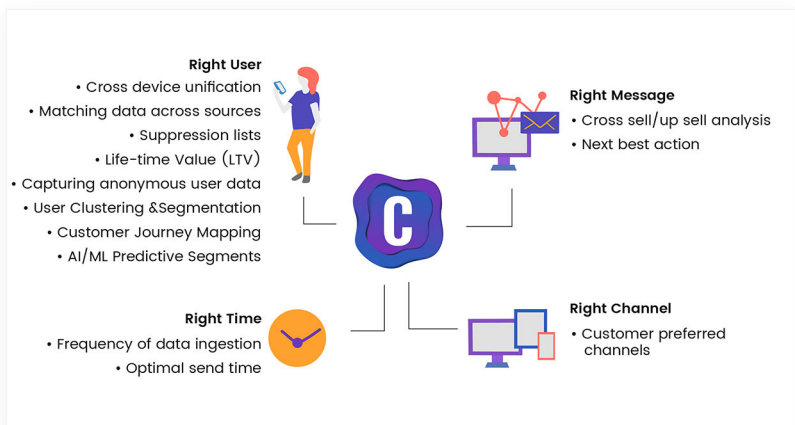
CDPs can leverage helpdesk data to improve your personalization or marketing communications with your customers.

A CDP can, for example, aggregate the data of all the customers who have given you a negative NPS score in their recent interactions with your support team. You can then leverage this information to send less marketing messages to these customers to ensure you do not annoy them further. On the other hand, you could start focusing on your promoters with referral campaigns or leverage them for word of mouth.

# Capabilities

The motto of every digital marketer reads something like this: communicate the right message, to the right user, at the right time and on the right channel.

The table below maps the functionalities of a CDP to these requirements:



**Standard connectors with other first party tools**

**Predictive Modeling**

**Reporting & Analytics**

# CDP

## IN ACTION

**POSH**

**Posh Releases the New  
Posh Originals Sneakers**



# Building Loyalty with a CDP

George is a “hypebeast”. He collects shoes as a hobby and has a gazillion pairs of sneakers in his closet.

Posh has just announced their Posh Originals collection. Posh’s marketing team uses one of the best CDPs on the market and therefore has access to all of George’s online and offline purchasing activity, his interests, his most active channels (i.e. his Posh mobile app) and more. As George is a Posh loyalist, often buying his desired sneakers minutes after they are released on the app, the CDP automatically adds George to its high-value customer segment.

Because the CDP provides Posh’s marketing team with a unified customer view, the team has a 360-degree picture of its customers’ likes and dislikes, likelihood to purchase, and other factors that contribute to the desire to purchase the Posh Originals sneakers. With real-time personalization, the team is able to devise a marketing strategy that provides customers like George with a great incentive to buy the sneakers.

Using the CDP’s audience insights, Posh can target customers, like George, who demonstrate a high-conversion affinity. Posh sends a personalized push notification and an email message to these customers three days before the launch, saying they are one of a few lucky customers that could avoid the queue at their online or offline store and get a pair of Posh Originals two hours before the public release at a 5% discount. All he has to do is to respond “Yes”.

George sees the push notification and is psyched that Posh is offering him an exclusive deal. Three days later – two hours before the release – George goes to his local Posh store to pick up his pair.

## Attracting new customers and building a massive buzz with Insights

At the same time, Posh also identifies high-value prospects and new customers who are likely to add the Posh Originals sneakers to their collection based on predictive insights from its CDP. Based on customers' past behaviour, the CDP can generate predictive segments that are highly likely to purchase, or zero-in on the lifecycle stage of a particular customer.

Posh leverages this opportunity by devising an “early-bird sweepstake” promotional campaign, where advertisements, emails and web overlays are served with the help of the data accumulated in the CDP. The campaign invites customers to get a chance to purchase a pair of these exclusive sneakers at Posh's online or offline store(s) in exchange for completing certain activities such as sharing the contest link on social media. This helps Posh create a significant buzz around their new release, as well as allowing a few lucky new customers to get the sneakers earlier than the general public.

In these scenarios, the CDP showcases its true potential. Armed with the massive amount of first-hand insights and user data, Posh's marketing team is able to create experiences that pleasantly surprise and delight its customers. Looking at George in this scenario, you could expect him to be amazed by Posh's proactiveness, allowing him to purchase his dream shoes exclusively two hours before the release.

Similarly, people who haven't been able to get their hands on limited edition sneakers before are now given a chance to buy the Posh Originals sneakers, and finally own one of the hottest releases of the year.

There's no shortage of similarly amazing customer experiences delivered by brands where CDPs have been the driving force.

# So are you ready for a CDP?

This is one of the first questions you should ask before embarking on the journey to buy and integrate a CDP. Don't be overwhelmed by the earlier section that details out all the potential integrations or data sources. Your organization might not necessarily be using all of those data systems. But a CDP would still be useful to integrate your existing data sources to give you an initial ROI. On the other hand, it is also true that you start realizing higher ROI with a CDP as and when the number of data sources increase, leading to complex data silos that you would want to leverage through a CDP.

Here are some important signs that indicate you're ready to adopt a Customer Data Platform:

- You are an omnichannel brand looking to build 1:1 brand-customer relationships.
- You have a decent or heavy presence in both the online and offline domain: physical stores, outlets, website, mobile app and more.
- You require a 360-degree view of customers to build personalization or marketing communications.
- Your marketing department needs direct access to data without any assistance from IT.
- You are looking for a single view of all your customers' activities and historical data which can be arranged or orchestrated easily.

If you are ready to move to the next stage in the marketing and business intelligence ecosystem, CDPs could be highly beneficial for your business. Insider will shortly be rolling out a Customer Data Platform that's backed by its highly acclaimed, AI-powered Growth Management Platform (GMP). **Stay tuned!**

# ABOUT INSIDER

Insider Growth Management Platform (GMP) helps digital marketers drive growth across the funnel, from Acquisition to Activation, Retention, and Revenue. We work with more than 400 partners across industries worldwide, including prestigious Fortune 500 companies and top brands in retail, travel, automotive industries and more.

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