

Customer Data Platforms for Small and Midsize Business:

Activate Contacts and Monetize Your Database



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The logo for Pearl features the word 'pearl' in a lowercase, sans-serif font. The letter 'a' is stylized with a pink and blue gradient.

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The Customer Value

Ask any business owner or CEO what makes their company most valuable and most will quickly settle on the same answer: Customers. Yet many of these companies fail to take full advantage of the customer data now available to them. Feeling they have too much data to use effectively, most don't use it at all.

This is more than a pity: it's a waste. Customer data holds immense potential to improve business results by increasing sales to existing customers, retaining customers who might leave, recapturing those who have already left, adding new customers through recommendations and converting prospects who never made that first purchase. Companies that don't take advantage of this data must turn to more expensive alternatives to maintain and grow their business. The *Harvard Business Review* reports that acquiring a new customer can cost as much as five to 25 times more than it costs to retain an existing one.¹ As a result, it's quite clear that effectively managing existing customers is what leads to long-term, profitable growth. Customer data and how it is managed makes this possible.

25x

Acquiring a new customer can cost as much as 5-25 times more than it costs to retain an existing one¹

Customers themselves feel the same way. Recent research shows that many customers expect businesses they patronize to use their data across all channels², expect their experiences to be personalized³, are more loyal to brands that show they understand them⁴ and will punish brands that don't offer personalized service.⁵ In short, customers are demanding that you use their data, so use it!

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Given the obvious benefits of effectively using customer data, what's holding companies back? Many barriers exist – especially at small and midsize companies whom lack the resources of large enterprise companies. Major barriers include:

Multiple Data Sources

Today's customer data comes from websites, point of sale systems, email marketing, ecommerce platforms, social media interactions, telephone calls, sales visits, mobile applications and more. Companies need to accumulate this data, combine information about each customer into a unified profile and then make the results available for analysis and use. This takes technical staff and skills that are hard to find and, even when available, are often deployed for other, more urgent tasks.

Limited Marketing Resources

Many marketing departments lack the experience required to analyze customer data, interpret results, and activate new programs using these findings. Programs often require large amounts of content tailored to different segments and individuals. Marketers must create complex, multi-stage programs with rules that assign the right customers to each stage and then move them into different stages over time. Once this process is completed, even more expertise is needed to monitor program operations, assess performance, and run tests to optimize program results.

System Costs

Websites, ecommerce, point of sale and other systems are essential for every business today, regardless of size. It's difficult to justify investing more money into new systems than the minimum required to meet operational needs. Systems with good customer data capabilities often are not the least expensive systems. Still more investment may be needed for additional systems that can gather customer data from operational sources, cleanse and enhance it with external data, create unified profiles, run analytics, and execute effective marketing programs.

Hidden Integration Costs

Not only are individual systems expensive by themselves but there's also the cost of connecting systems to each other. These costs can increase exponentially as the number of systems implemented by a company rises. The resulting complexity requires more staff to keep things running while increasing the risk of failure.

Lack of Time

The biggest barrier of all is the limited time that marketers have available for executing new projects. Most marketing departments struggle to keep up with current responsibilities even without adding new ones. Only a handful of major new projects can be added over the course of a year. Customer data integration is often given low priority because it can't be easily tied to an immediate return on investment (ROI). Yet, data-driven marketing is impossible without a solid customer data foundation. Combining customer data with new marketing programs to create a single marketing project often generates so much extra work that marketers simply can't fathom how to factor it into their program schedules.

Overcoming These Barriers

The barriers described above don't mean that small to midsize companies are doomed to waste their customer data. There are very effective systems and platforms designed to overcome the obstacles to successful customer data and marketing deployment. Critical facilitators include:

Prebuilt Integrations

The most technically-demanding tasks for activating customer data are pulling data from source systems and sending data to delivery systems. These require careful mapping of each field from one system to another. Users must configure the connections to define file locations and share access credentials. Custom code may be required to define queries or write API calls. Fortunately, vendors can prebuild integrations for common source and target systems like web analytics, ecommerce, CRM, and ESPs (email service platforms). Deploying these connectors can be as simple as completing a few blanks with file locations and passwords. This saves the time and cost of custom integrations.

Data Unification and the Data Model

Processes needed to build unified customer profiles are complex. It's especially hard to connect different identifiers that belong to the same individual – a process called “identity resolution”. Linking might be based on finding the same identifier in different systems such as an email address used in both online and offline order processing; stitching together overlapping identifiers such as using the email address on a customer account to link that account to a device where an email has been opened; linking names and postal addresses that have been entered inconsistently across different systems; and, sometimes, using statistical methods to estimate the probability that two identifiers are related even without a direct connection.

Multiple Data Sources

Other challenges include cleansing and standardizing input data; adding calculated values such as last purchase date and lifetime value; and presenting the data in formats that are needed by other systems. Like data integration, most of these processes can be built in advance by a system developer and then used by clients with little or no change. This reduces deployment efforts and yields greater results.

Third Party Data

Data from your own interactions with your customers (“first party data”) is almost always the most accurate and valuable data for building customer relationships. But data collected by others (“third party data”) can be an important supplement. Third party data can include personal attributes like age, income and household status along with behavioral information like personal interests and product purchase intentions. Third party data can also add new identifiers. For example, appending a postal address to an email address or connecting

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Predesigned Segmentations and Analytics

It’s often hard for marketers to know where to start with newly assembled sets of customer data. Systems can remove this barrier by including standard segmentations and analyses that have worked for other marketers in the past. These can be accompanied by training employees how to interpret the results and extend the analysis to uncover additional insights.

Easy to Learn and Use Dashboard Interfaces

There’s often a trade-off between the complexity of tasks a system can perform and the simplicity of the user interface. Marketing departments with limited

resources can select systems that are both easy to learn and to use but must recognize that there may be some limitations to how sophisticated the programs can be. In most cases, simple-to-use systems can run complex programs although setting them up may require extra steps, additional training or better understanding of features hidden beneath the default interface. This is usually a good trade-off since most users never deploy more than a fraction of their system's capabilities. The balance between simplicity and power is also shifting as artificial intelligence enables systems to accomplish more without the need for detailed user direction.

Database Health Reports

Prebuilt database reports assist marketers who are not experienced with customer data. Simple reports provide basic data quality measures such as the percentage of missing values in important fields. Advanced reporting can illustrate more sophisticated concepts such as the migration of customers between lifecycle stages. Reports can also provide benchmarks that compare

your results to industry standard results. These reports give marketers a framework for better understanding their customer base and for building marketing programs that will improve results at every customer lifecycle stage.

Program Reports

Predefined reports can be built into particular programs or deployed automatically for all programs. They save marketers the effort of building custom reports while deploying advanced approaches that incorporate industry best practices. These include use of control groups to measure incremental impact and attribution calculations that tie marketing programs to revenue. Program measurement is often overlooked by marketers who are too busy working on their next campaigns. Prebuilt program reports ensure that marketers can properly assess their program results, enabling them to learn from each experience and to show the value of their programs to others within the company.

The Value of Customer Data Platforms

Customer Data Platforms, or CDPs, are packaged systems that assemble a complete view of each customer and activate this data for analysis and marketing. CDPs fill the gap between source systems, which acquire fragments of each customer's data, and the analysis and campaign systems, which work best when the fragments are combined into a unified customer view. Some CDPs go beyond assembling customer data to include analysis and campaign functions of their own. This functionality is especially helpful to smaller organizations who may not have adequate analysis and campaign systems in place but want to minimize the cost of integrating multiple systems.

Most CDP implementations to date have been concentrated among large enterprises whom have the resources to purchase such systems and can take full advantage of them. Early CDP systems were often tailored to the needs of enterprise buyers, making them too expensive for small to midsize businesses to purchase and too

technical to operate using their available resources.

The latest generation of CDPs serves a broader array of customers including small and midsize companies. These systems are built using the previous learnings of the CDP industry to incorporate standard processing flows, simplified user interfaces and common analytical and campaign applications. They also take advantage of the latest technologies for data management and artificial intelligence. The result is CDP systems streamlined for more efficient implementation and operation which enables vendors to offer them at price points far lower than traditional enterprise CDPs.

Newer CDPs are also more likely to specialize in particular industries such as retail or travel.

This lets developers create data models tailored to one industry, build connectors for common industry systems (e.g. ticketing systems

for travel), develop specialized analytics and marketing programs for the industry, and incorporate relevant third party data. It also creates a staff of

industry experts. These factors all contribute to lower costs, faster deployment and better results.

What to Look for in a CDP

CDPs targeted at small and midsize companies will include many features designed to simplify implementation and speed business success. Here are some specific features to look for:

Prebuilt Integrations

A long list of existing connectors or integrations (APIs) might be impressive but what really matters is connectors for the systems your company uses now or might use in the future. This includes your CRM, ecommerce, marketing automation, email, website, and point-of-sale applications. It may also extend to display, search, and social advertising as well as order management, inventory, call center, sales automation and customer support. It's important to recognize that only a few connections are needed to get started: initial feeds are often limited to websites, CRM, ecommerce platform, and email. Others may be added over time as both sources and destinations for data.

You need to look closely at the nature of the connections or integrations and their functionality: What type(s) of data can be transferred? What tasks and technical skills are required to accommodate new data sources and elements? Can data ingestion and retrieval be updated regularly? What external system functions, if applicable, can the CDP access (for example, can it trigger the sending of emails or removal of names from an advertising target segment)? And, what CDP functions can be accessed by your external system(s) (i.e. updating records or activating a CDP-run marketing program)?

Data Unification and Data Model

Your system should be as closely tailored to your industry as possible. For example, retailers need to link online and offline identifiers with a combination of name/address matching methods, behavior-based matching rules and third-party data. Postal address standardization is a useful indicator of such capabilities. Another critical requirement is maintaining a consistent customer ID over time despite changes to identifiers like name, address, and/or email. Your CDP should have a data model with industry-specific objects like stores, trading areas, product SKUs, and inventory history for retail; or reservations, tickets and route maps for travel; or content format, length, genre, maturity level, and release date for media. Companies with online activities need to be certain that their CDP can retain full details of website behavior, mobile app activities, and social media events and can then extract specific items from the detailed data as needed. Small and midsize companies are especially dependent on automated features since they lack the staff to

manually classify content or identify duplicates. All CDP buyers need to ensure that their system can easily adapt to new data sources as they appear. This requires flexibility in adding new data sources and attributes; the ability to support structured, semi-structured and unstructured data types; and easy ways to visualize new data for analysis, marketing activation and external use.

Third Party Data

Look for easy integration between your own data and third-party data sources. This may include prebuilt connectors and matching processes for sources of consumer or business demographics, purchasing intent, marketing behavior and lifecycle events; connectors to contextual information like weather and financial conditions; the ability to select “look-alike” lists of prospects based on your best customers’ criteria; and a data model that can easily store and visualize this data once ingested. Some vendors will collect their own data. This can be great, especially for specialized applications, but be sure to test this data carefully against other data sources.

Also, make sure that any third party data is collected and used in compliance with increasingly stringent data privacy laws.

Predesigned Segmentation and Analytics

Your CDP should provide a default customer lifecycle model with stages or classifications such as prospect, new customer, active customer, and loyal customer. This model should include rules for how to assign each customer to the appropriate stage or lifecycle. You'll also want to analyze and extract customers within each group. Marketers should be able to modify the default lifecycle model to tailor it to their own business. Similarly, the CDP should provide a library of standard calculated values such as customer lifetime value, churn probability and engagement and loyalty plus options for users to modify existing definitions and add new ones. CDP administrators should be able to control which users can change the definitions, keep a history of changes and limit which users have access to sensitive information. SMBs often require simplified or fully automated

predictive modeling and scoring since they have little to no access to onsite statisticians or data scientists. Any calculated value or score should become automatically available for each customer profile.

Predesigned Programs and Process Flow

Predesigned marketing programs should be suited to your industry and tied to the customer lifecycle. Look for complete program designs including entry conditions, segmentations, personalized content samples or templates, connectors to execution systems, performance measures, and return on investment calculations. These should be explained clearly while being easy to modify to meet your own definitions or requirements. The CDP should identify existing marketing programs that are underperforming compared to industry standards or previous campaigns; should recommend new programs to build and activate; and should tag customer segments that are either over or under marketed to. Standard program designs should

include tests to compare different treatments and control group exclusions to allow measurement of the incremental impact of each initiative. Standard content templates should include personalization with individual-level data such as recent purchases or items abandoned in shopping carts.

Easy to Learn and Use Dashboard Interface

The user interface should let users choose between direct access to specific CDP functionality and predesigned workflows to accomplish multi-step tasks. This might include adding new data sources or activating new marketing campaigns. Users should be able to set up their own task sequences and annotate them with comments to act as reminders or guide others. Look for inline explanations and tutorials that provide assistance at the moment it is needed. User rights and security features should let administrators specify which functions and data are available to which users or user groups. Live product support should be available via phone, chat, screen share,

and other media. Structured platform training should be provided as part of the CDP implementation and then as needed when new users join the company or current users want to learn more. The CDP vendor should be open to feedback from users about system features and should be able to point to a history of user-initiated product improvements.

Database Health and Value Reports

The CDP should include reports about data quality including information about missing, inconsistent or invalid data fields or items. Reports should evaluate the database as a whole while also assessing source data as it's added so bad data feeds can be immediately identified and fixed. More advanced database health reports should highlight the composition of the database by customer lifecycle segments, provide profiles for all members in each segment, trace movement of customers between lifecycle segments and estimate the future value of the database as a whole and for each individual customer lifecycle segment.

The CDP should issue alerts if there are significant deviations in the database composition or its overall value at any given point in time.

Recommendations and Action Plans

Look for a CDP that analyzes, tracks and issues recommendations and action plans for all marketing activities (e.g. number of emails sent), customer engagements (opens, clicks, orders), costs and value (revenue, return on investment).

Recommendations should track both specific actions and also net impacts of all actions in a multi-step marketing campaign or program. Additional outcomes should analyze program impact by customer segment, compare results from different campaigns or programs, measure incremental impact against excluded control groups and track results for ongoing campaigns over time.

¹ *Harvard Business Review, The Value of Keeping the Right Customers, 2014*

² *Ipsos+Medallia, The Customer Experience Tipping Point, 2018*

³ *89 Degrees, Consumer Perceptions of the Digital Experience, 2018*

⁴ *Acquia, Customer Experience Trends Report 2019*

⁵ *Aspect, 2017 Aspect Consumer Experience Index*

Conclusion

Today's marketers face many new and complicated challenges. They're expected to optimize results across an ever-growing range of sales and marketing channels while giving customers personalized, consistent treatments based on complete data. Meeting these challenges requires systems that collect data from disparate sources, build unified customer profiles and use these profiles to select and create appropriate treatments for profitable customer acquisition, growth and retention.

Customer Data Platforms are an important part of the solution. At a minimum, they create a unified database. In many cases, they also provide key analytical and campaign capabilities. CDPs are especially important for small and midsize businesses that often lack the resources and experience to build custom solutions.

And remember, not all CDPs are suited for small and midsize companies. Buyers in this segment need to look for CDPs that are easy to use, tailored to their needs and that are affordable. Careful and complete research will deliver a CDP solution that serves as the foundation for effective customer lifecycle management and long-term business success.



About Pearl Thinks

Pearl is a customer data platform that enables brands to visualize and treat their customers like humans. Segment and integrate deep humanized profiles to achieve true 1:1 marketing relationships at scale. Pearl connects data from all data sources to clearly path customer journey, and segment customers as if they were your friends and family. Welcome to the relationship intelligence platform that humanizes both your customer and prospect data. All eCommerce marketers strive to forge better relationships with their customers across all channels. Pearl easily identifies your best customers and their behavior at each touch point so you can build meaningful, loyal relationships with all customers.

Using its patent-pending Relationship Lifecycle™ (RLC) approach to customer segmentation, Pearl translates your customer and prospect data into intuitive, relationship-based insights on a platform that's actually fun and easy to use. The RLC classifies prospects and customers intelligently segmented into groups that echo real-life, personal relationships such as "Acquaintances", "Friends" and "Family". It's an easy way to identify your best customers while discovering opportunities to acquire new customers from within your own database.

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About the 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 “packaged software 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.

For more information, visit www.cdpinstitute.org.