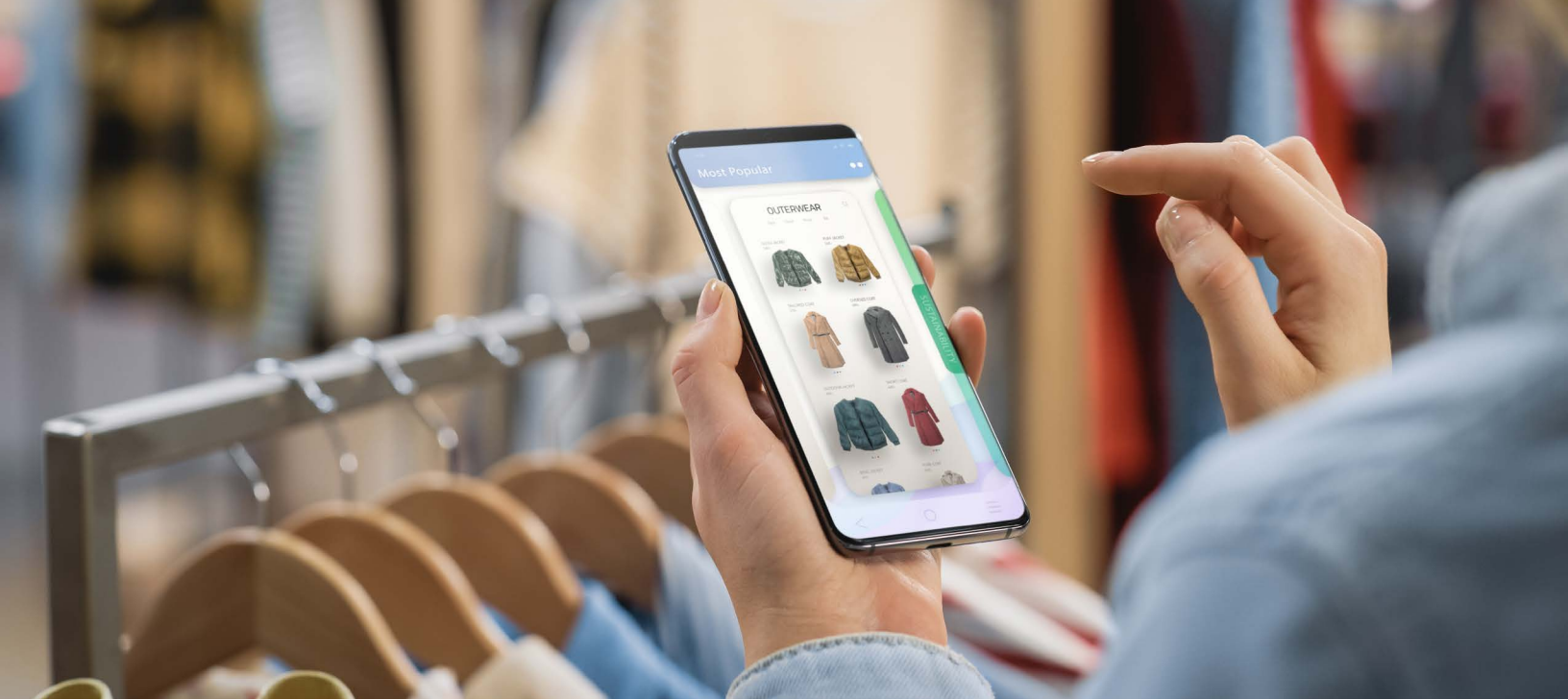




THE ULTIMATE GUIDE TO CDPs: THE RIGHT TOOL FOR A FAST- MOVING, DATA-DRIVEN AGE

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INTRODUCTION

Customer Data Platforms (CDPs) are much more than simply CRM systems on steroids. Not only are they capable of ingesting first-party customer data from a wide range of sources, but they also can incorporate third-party data that provides important clues about a customer's lifetime value, communications preferences and interests. Additionally, CDPs can help retailers coordinate internal data, such as a shopper's interaction with a customer service agent or bot, to improve the user experience (UX), reduce friction and promote long-term loyalty. The most advanced CDPs use AI to support predictive analytics that provide real-time, personalized customer interactions — which can have a strong impact on conversion rates.

“The key operative word here is *platform*,” said Bhругu Pange, a Managing Director at **AArete** and leader of its Digital and Technology practice in an interview with *Retail TouchPoints*. A CDP “doesn't just provide a single complex view of a customer; it also orchestrates what actions a brand takes when interacting with that customer. A CDP should manage data analytically as well as operationally so that all systems can be fed in real time.”

This *Retail TouchPoints* Tech Guide will identify **three** areas where CDPs' capabilities align with the new realities of retail:

- Providing **real-time or near-real-time “next best actions”** that fit the highly competitive — and fast-moving — state of digital and omnichannel retail;
- Protecting customer privacy at a time when more consumers are becoming aware of **the value of their personal data** and governmental regulations are becoming more stringent; and
- **Future-proofing a retailer's marketing tech stack** by making it simpler to incorporate data points from both current touch points and those gathering steam, including livestreaming sessions, interactions with retail media networks, social and voice commerce.



MOVING AT THE SPEED OF COMMERCE

One of CDPs' strongest assets is their ability to manage real-time experiences for individual customers to increase the likelihood of their making a purchase. "Marketers always want to know, 'How do I target specific things that ultimately convert [a customer]?' " said Pange. "CDPs allow you to do that based on both analog and digital behavior."

Making not just a fast recommendation but the right recommendation for that specific shopper is essential. CDPs accomplish this with the help of multiple data sources, such as the information credit card companies and other third-party data-gatherers sell. "A CDP is about understanding how your customer behaves in all the touch points with your brand, as well as **as much of their behaviors that you can capture outside of your brand,**" noted Nick Kramer, Leader of Applied Solutions at [SSA & Co.](#) in an interview with *Retail TouchPoints*. "The combination of first- and third-party data makes [the CDPs' role] more expansive."

CDPs also make it easier for retailers to discern customer intent. Pange gave the example of a website visitor who "doesn't add to their cart but spends more than the average amount of time looking at a product." This website activity could prompt the retailer's marketing solution to send an email with more information on that product: "They don't want to send it for all **six** products you looked at; they want to send it for the product you're really interested in.

"Platforms that have good integrated AI modeling capabilities, or the ability to hook into other AI-powered systems, can drive audience segmentation, intent signaling capture and then [suggest] immediate actions," Pange added.

These capabilities can benefit small companies as well as larger enterprises, but their greatest potential comes with multi-brand organizations, according to Kramer: "Understanding how customer behaviors can enable cross-selling, as well as which of your consumers are likely to be attracted to which of your other brands — that nuanced information about customers allows for building cross-sell and upsell in a multi-brand portfolio."



PRIORITIZING PRIVACY WHILE OFFERING CONSUMERS VALUE FOR THEIR DATA

Like it or not, all businesses will need to deal with increasingly stringent data privacy regulations, including the European Union’s General Data Protection Regulation (**GDPR**) and the California Consumer Privacy Act (**CCPA**). These and similar regulations are reason enough for companies to institute strong data management protocols, but changing consumer attitudes regarding their own personal data also offer new opportunities — and CDPs can help marketers unlock them.

“Consumers have gotten a lot smarter about the value brands are extracting from their information,” said Kramer. “We’ve talked about it for years in the identity management and privacy space, but we’re now seeing it in Web3, NFTs and crypto wallets, and the ways these can be extended to **allow you to control what information you share, with who and when**. That’s a nascent trend now but, before we know it, it will define marketing strategies.”

Pange agrees that systems giving consumers more control over their data would be a major asset. “Right now consumers browse websites blindly — they don’t know what data [the site] has captured about them,” he noted. “In the spirit of transparency, adding data control features that a CDP could integrate would be a good feature to have.”

One example of the ways CDPs can turn privacy-oriented data management into a bottom-line benefit is in the area of ID resolution. This goes beyond the duplication of email addresses and other identifiers that often hamper CRM systems; in fact, ID resolution is “foundational” to a CDP, according to Irene Sibaja, Industry Principal for Retail at **Treasure Data**.

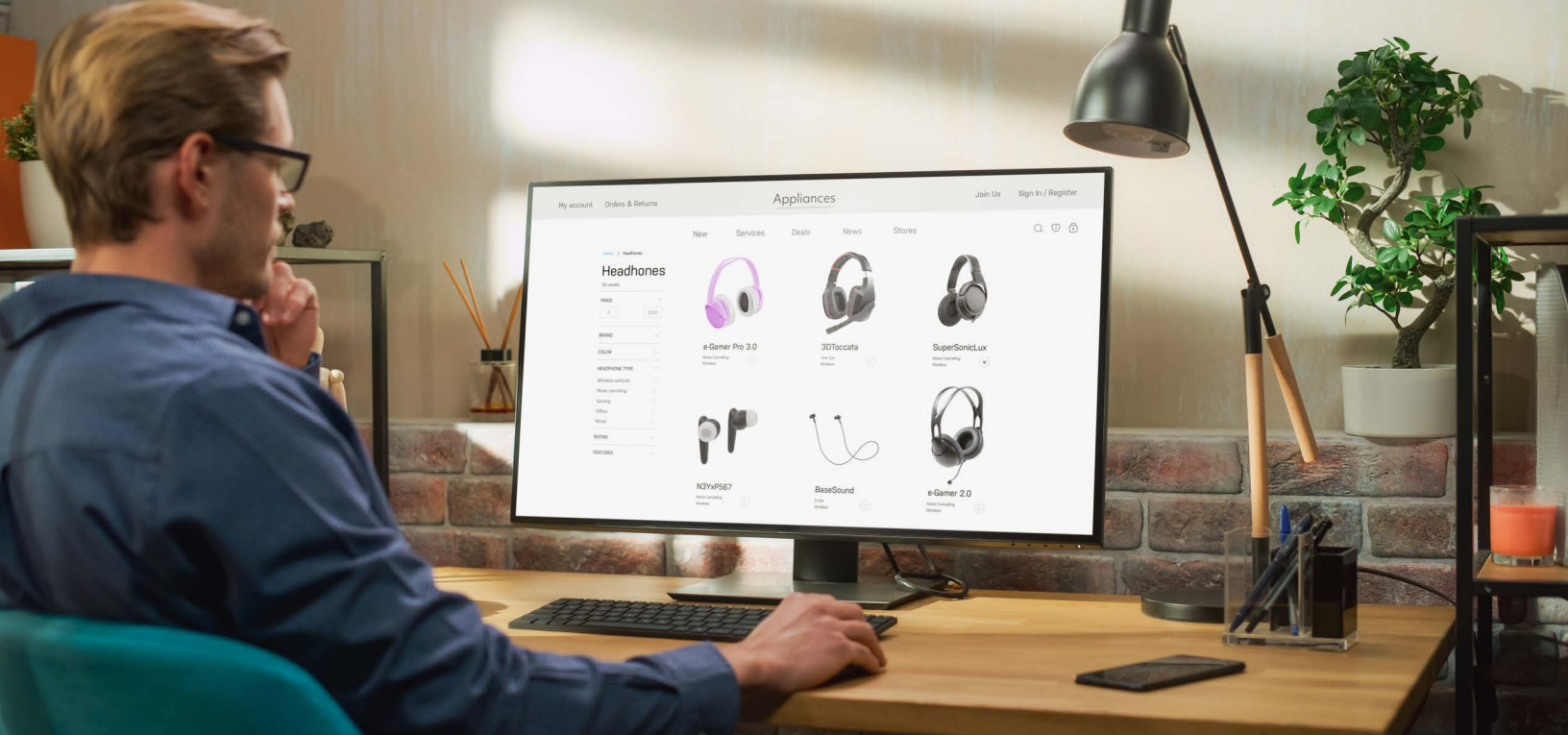
“People already often have multiple emails and phone numbers, and as we think about Gen Z maybe something else will be a unique identifier,” said Sibaja in an interview with *Retail TouchPoints*. “Piecing together those breadcrumbs, connecting those pieces and creating a whole is something that a CDP does particularly well — and it’s the single biggest reason CDP is becoming a touchstone inside so many martech stacks. **A lot of retailers have a huge ‘unknown’ population, and a CDP helps you know as many of your unknowns as possible.**”

As a practical matter, if a marketer is sending emails to **three** addresses to cover all bases, rather than the **one** email address that the shopper actually checks regularly, “when you multiply that by hundreds of thousands of customers, you’re spending a lot more money targeting that person than you need to,” said Sibaja.

Respecting consumers’ privacy is vital to building trust, but it also can open the door to retailers gathering even more specific customer data. Kramer related that because he studies privacy issues, “I share as little as possible [with companies] and turn on all the privacy features on my devices.” However, if he “knows I have control over the data, **I’m willing to share it with someone that I know aligns with my interests.** It’s all about earning trust. I’m an avid wine enthusiast, so I might share information [with a liquor retailer I trust] on where I’ve traveled and how that influences my tastes in wine. That level of information is very valuable to the retailer.” It also provides value to the consumer in the form of better recommendations and more personalized offers and services.

CDPs also can improve the customer experience by leveraging what marketers know about each shopper, including which media and communication vehicles they prefer. “If I don’t recognize the phone number that’s calling me, I don’t pick up, but I’m much more likely to open a text or an email,” said Kramer. “A CDP helps a brand understand not just what the consumer’s touch points are, but its predictive modeling will be able to say ‘This customer prefers this particular touch point.’”





PREPARING FOR A FAST-ARRIVING FUTURE

One of the biggest challenges retailers face is tapping the growing number of data sources — and the varying types of data they generate — and to make the best use of that data. In fact, this capability is one of a CDP's key functionalities.

“The fundamental purpose of a CDP is to capture every [consumer] touch point, but also understand those touch points,” said Kramer. “CDPs also need to rapidly integrate third-party data from credit card companies and companies selling behavioral and demographic data. That means the CDP must deal with issues of data quality, data mapping and completeness. CDPs have to have the facility to **integrate new sources quickly and assess their value, also quickly.**”

As retailers establish their own media networks, experiment with livestreaming and move further into social commerce, corresponding data-producing touch points also will increase, creating an even greater need for CDPs. However, “as broad as your CDP is, it's only one data source,” said Kramer. “A CDP needs to be part of a larger customer data management and customer insight strategy. And while they are primarily supporting marketing, the data also affects merchandising, inventory and allocation, because it's really assessing [customer] behaviors.”

This deeper understanding of the customer, combined with the predictive analytics that allow CDPs to suggest the next best action, represent an important growth area for many types of companies. “I see a world in which companies are going to try to create a seamless experience across multiple industries,” said Pange. “Say I'm set to travel to Puerto Rico this weekend. If my favorite retailer knows about my plans, it could create a curated list of clothing and accessories, or even just offer traveling tips. People are looking at the idea of shared CDPs in adjacent industries like retail, travel and hospitality as they're asking ‘How can we create brand loyalty across all these companies?’ At the moment this is a moon shot, but I do see the potential to allow multiple industries to create end-to-end experiences.”

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