

Customer Data Platforms: Foundation for Customer Focused Digital Transformation

An Interview with David Raab of CDP Institute and Frans Melenhorst of Squadra

1. Can you start by giving a short introduction of yourself and your organization?



David is the founder of the Customer Data Platform Institute. He coined the term Customer Data Platform in 2013. As a consultant and industry analyst, David has helped marketers to understand, find, and deploy appropriate technologies since 1987.

Before his consulting career, he held senior marketing positions in the publishing and continuity industry. David is a graduate of Columbia College and Harvard Business School.



Frans is a customer-centric business builder. He is a pioneer in enabling companies to make better choices faster by integrating customer data and AI-driven insights into all business processes that drive customer value and engagement. As a consultant, he has helped marketers and senior management to translate business ambitions into sound customer strategies, improved customer processes, new solutions and better skills. As a Customer Engagement Associate at Squadra Group Frans supports management

teams in creating customer insights using unified customer data stored in a Customer Data Platform. Before his consulting career he held senior marketing positions in the retail and ecommerce industry.

2. What is your vision on Digital Transformation?

David: I see Digital Transformation as encompassing all efforts to use modern technology to improve business operations, including both internal operations and customer experience. We have seen that technology can radically change how companies operate, for example by changing from transactional relationships (buying groceries in a store) to subscription relationships (contracting to deliver groceries as I need them). These changes can create much greater convenience and better service for customers while improving profitability for companies. Nearly all require advanced systems, extensive data, deep customer understanding, and advanced personalization. Achieving these requires new levels of trust between companies and their customers, since otherwise customers will not share their information or permit companies to make decisions on the customer's behalf.

3. What is your vision on Customer Data Driven Marketing?

David: Customer Data Driven Marketing is marketing that uses data to make all kinds of decisions. These range from high-level (strategy, product and offer development, positioning, content creation, channel mix) to individual (selection of messages, offers, channels, and timing). It relies heavily on data but still requires human creativity to understand what the data means and how to take advantage of the insights it allows. Ultimately, data driven marketing will use automated methods such as predictive modeling and optimization to tailor each customer's experience more precisely than is possible when each choice must be made by a person.

Frans: Customer Data Driven Marketing also implies that Sales or Category Managers can take better decisions with less risk using customer data next to - or even instead of - traditional sources such as market research. This, without creating yet another report for Sales or Category Managers, but rather by integrating customer data into existing reports. This way, category managers, for example, can take better informed decisions about products based on purchases or preferences of the top 30% of their customers instead of the average customer. For many organizations, first party customer data will prove to be an effective source for the Sales department to better monitor and improve product performance, pricing and promo decisions and assortment optimization.

4. Which opportunities are still left unused?

David: So far, most data driven marketing projects have been highly tactical and oriented to immediate results, such as maximum click rates or order volume. There is opportunity to convert these to longer term measures such as lifetime value or conversion rate, where many individual interactions contribute to the final result. This requires larger sets of data that connect different stages of the customer life cycle in order to build understanding of how individual marketing decisions contribute to long-term customer behaviors. On a channel basis, data driven marketing has been most extensive in online channels, where data is easily available. There is great opportunity to also manage offline activities, such as in-store experience through interaction with digital signage and personal mobile devices. This requires greater connections between the physical world and digital data. **Frans:** When you take into account that the primary reason for customers to buy from a specific company is the assortment or the services it offers, the way these products are presented and delivered and the brand's reliability and trustworthiness, there also is a great potential in optimizing these building blocks of the brand format and not only personalized marketing. Customer Data Driven Marketing and software solutions such as Customer Data Platforms offer opportunities to make improvements in these areas as well.

5. Can you name examples of Customer Data Driven Marketing Cases that are excellent examples or best practices in your view?

David: Some best practices include: adjusting online advertising bids to target customers with high potential for long-term value; enhancing customer profiles with third-party data to enable more effective targeting; providing personalized product recommendations based on not just past purchases, but also context (location, day of week, time of day, recent products considered, recent customer service issues); and allocating marketing funds based on attribution methods that include interactions of spending across channels. **Frans:** other cases include integrating customer data in category management and pricing & promo dashboards to optimize promotions per customer cluster, and to optimize shelf management decisions or web site content using insights derived from customer/category analyses.

5. What benefits does Data Driven Marketing give to Marketeers and Consumers?

David: Data driven marketing offers better experience to consumers and greater effectiveness for marketers. The trick is to convince consumers that the improved experience is worth sharing their data, especially under new privacy regulations that require consent. Most research shows that consumers are willing to share their data and accept messages when they get obvious benefits such as discounts and special offers, but not in return for generalized benefits such as “personalized messages”. Marketers must learn to use data to deliver real value to customers apart from discounts, for example through services that make customers’ lives more pleasant. And they must learn to explain such benefits in ways that customers find compelling. **Frans:** one way of doing this, is by involving selected customers (based on their (big) data profile) in selecting and testing new products and services. Marketers, Sales Managers and Channel Specialists will discover that they can take far better decisions working closely together using Customer Insights.

6. What are the key challenges when introducing Customer Driven Marketing and specifically a CDP in the organization? How to Sell it to the CMO, CEO, CFO?

David: The idea of a CDP is actually quite easy to sell, at least to marketers, who are very aware that they need easier access to better data. What can be harder to sell is the actual investment, which requires a convincing explanation of the financial benefits. This is challenging because most of the benefits cannot be known in advance with any certainty. Other challenges in selling CDPs include information technology departments who feel they can or should build the CDP internally, and the need for cooperation across different parts of the organization that have in the past worked separately from each other. **Frans:** Important in explaining to the CEO, CFO and other C-level Officials what the benefits are of using a CDP is to make clear how a CDP will

support the Board in achieving its ambitions, goals and strategy in a more effective, more precise manner and with less risk because the information at hand is more detailed and reliable. Introducing Customer Data Driven Marketing and a CDP, as one of the components of CDDM, equals the introduction of a new way of working; it would be a misunderstanding to see it as another tool that should be bought and implemented.

7. Does CDP add another data silo?

Frans: No. A typical characteristic of a CDP is, that it creates a persistent 360 View per customer using and connecting or stitching all customer data from various existing sources into one so-called “golden record” without replacing the existing data sources. Many marketers will have the experience that creating a single customer view used to take months of designing, technically building, testing and loading data into a new data warehouse. The difference with CDPs is that creating a persistent Customer 360 view is a matter of connecting or disconnecting the data sources the marketer needs to the CDP, using standard connectors. The IT effort and time needed to go live when using a CDP is far less.

8. What are the 5 Trends In Data Driven Marketing that we can expect to influence us in the near future?

David:

1. Artificial intelligence will improve data management, making it easier to load, merge and share new data sources. This will ease a very substantial bottleneck. Of course, artificial intelligence will also help with the more creative parts of marketing: campaign design, content creation, segmentation, opportunity identification, predictive modeling, recommendations, etc.
2. Increased focus on data privacy and rights will force marketers to be more open with consumers, be more careful about data quality, and prove the value that consumers are getting in return for their data.
3. Greater skepticism about technology in general will make consumers more reluctant to share information and to adopt new devices, such as smart speakers and self-driving cars, that have great potential to invade their privacy or to do harm if they malfunction in any way.
4. Marketers will be more careful about online advertising quality, including viewability, fraud, brand-safe placements, proof of consent, profile accuracy, and data leakage to unauthorized collectors.
5. Customer Data Platforms will be more widely adopted as marketers recognize they offer a faster path to more complete and accessible unified customer data.

9. On January 24th you will deliver a keynote during DDMA Data Day 2019: what can the audience expect?

David: Marketers everywhere recognize the need for complete, accurate, and actionable customer data. Customer Data Platforms have grown in recent years to fill this need. We will explore the definition of CDP, how it differs from other customer data tools, best practices, industry development, and future trends. Special guest Frans Melenhorst of Netherlands-based Squadra will provide additional insight into the state of CDP in Benelux, and he will explain what the key success factors are for selecting, deploying and using the right Customer Data Platform.

10. Why should everyone join you during your keynote?

David: Because CDPs are still not yet widely adopted in Europe. Early adopters can still gain substantial advantage over those who do not move quickly. This will help them to build strong new relationships with customers before they settle into new habits in the post-Digital Transformation marketplace.

11. You will also host an intensive workshop on Customer Data Platforms, on January 23rd in Utrecht. Why should people attend this workshop? Who should attend this workshop?

David: The intensive workshop is for people who want a deeper understanding of how to find the right CDP for their business. CDPs vary greatly and choosing the right one is very important. The workshop will include exercises and worksheets that go beyond simple lectures to actually equip attendees with new skills to make a sound choice. The CDP Institute is one of the few organizations in this field that has no interest in selling a particular product, so this is a rare opportunity to get truly objective advice. **Frans:** As the partner of the CDP Institute in the Benelux, Squadra is focusing on sharing insights, best practices, knowledge and experience with CDP solutions and best approaches in engaging senior management in taking the right decisions in becoming a customer data driven organization, and considering a CDP as the foundation. Like the CDP Institute, Squadra is software agnostic, which makes the CDP workshop a great opportunity to get objective advice.