

Course Correction

Making the case for a
Customer Data Capability in
a crowded Customer Data
Platform world.



As vendors have scurried to a trending “Customer Data Platform” to their offerings, marketers confused and disillusioned by broad promises. With that as reality, what is the best way for marketers? Could thinking about Data Capability be a guiding

The customer expectation bar is forever being raised by new market entrants, and brands have to find a way to measure up or risk becoming irrelevant. A complete understanding of customers has never been more important, and as we’ve seen the value of first-party data increase and concerns around privacy escalate, Customer Data Platforms (CDPs) have entered the market, promising a tool that solves for this.

But has the industry overreached? Have vendors created confusion among marketers by allowing their offerings to sprawl into adjacent categories? Are some guilty of “pursuing the new acronym” rather than solving the core challenge the category set out to solve?

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¹ Tealium. State of the CDP: How Organizations Buy, Implement, and Use Customer Data Platforms. <https://tealium.com/resource/whitepaper/how-organizations-buy>

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Key takeaways

A brief history of the CDP category



2013

David Raab, the founder of the CDP Institute, coined the phrase “Customer Data Platform”.

2016

Vendors **converged** around the data-layer, to form the CDP category.

2018

Oracle officially launched **CX Unity**.

2019

Adobe and Microsoft entered the fray with

A noble intention

In 2013, David Raab, the founder of the CDP Institute, coined the phrase “Customer Data Platform” to describe market solutions that create a persistent, unified customer view that draw in data, especially from mobile devices, and make it accessible to other systems.

Back then, several marketing systems created their own database to support applications such as predictive modeling, attribution, website personalization, or campaign management. But many web analytics and tag management vendors realized, with time, that they could expose their datasets to other applications and started adding data-layer features to their platforms.³

According to the CDP Institute, both vendor classes converged by 2016 and formed the CDP category. They hoped to answer marketers’ demand for unified data platforms that addressed the drawbacks of data warehouses, data lakes, and other fragmented systems.⁴

A specialism, full of noble intent, spawned a new and promising competence into the martech landscape. But the specialism was short-lived. The attention the acronym received thrust the category into the spotlight and its allure proved irresistible.

The CDP market is projected to reach **\$10.3bn** by **2025** growing at a compound annual growth rate of **34%**.

software and external data sources. Growth claims market. Global (GDPR) handle. And, similar. Enter. More ecosystems. Oracle. October. Fray with late in Dynam. In 2020. Custom. To the enterpr. SAS, T. annou. expect.

58%
of customers
with CDPs
are planning
to switch
providers
within the
next 12
months.



A category in crisis

Over the last four years, the category has sprawled significantly, and in many respects, lost the original intention with which it set out.

While pureplay vendors sought to bed down their offerings and capture market share, big tech and enterprise companies rushed to market from adjacent categories with offerings of their own. At the same time, some pureplay CDP vendors moved into other parts of the marketing landscape, adding capabilities such as machine learning, analytics, segmentation, as well as campaign and activation layers to their offering.

The rush to the category created a need to differentiate. But instead of doubling down on the specialism to create real, long-term differentiation, vendors sought a quicker fix and roamed across categories, adding adjacent capabilities.

This has not only contributed to

the ability to ingest data from any channel.⁸ And many vendors point to non-core CDP functionality to claim CDP status and justify their offering's existence as such.

A diluted offering

The breadth across which the CDP label has been applied, combined with a dilution of the core competency, has left marketers struggling to find a solution that meets their needs. Moreover, many have been persuaded to buy solutions they don't need, which inevitably fail to solve their fundamental challenges, while duplicating costs where features overlap. The fact that more than half of users plan to move away from the CDP they're currently using is a blight on the category. A US survey reports



So, what exactly should a CDP contribute?

Prior to market convergence, the definition of a CDP was narrow and specialized:



“A CDP centralizes data from multiple sources and makes it available to systems of insight and engagement.”

FORRESTER



“A marketer-managed system that creates a persistent, unified customer database.”

CDP INSTITUTE



“A marketing system that unifies a company’s customer data from marketing channels, to enable customer modeling and optimize the timing and targeting in messaging and offers.”

But as mentioned, the offering has sprawled since 2016, and three categories have emerged:

- **The Specialists:**

Pure data plays, vendors in this category are deep specialists. They are focused on the ability to ingest, transform, identify, enhance, and expose data, in line with the narrow definitions above.

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Breaking that down further, a CDP should be able to:

- **Ingest** data, from multiple sources, in multiple formats;
- **Transform** data into a common format;
- **Connect** data across touchpoints to create customer identity that persists over time;
- **Enhance** data by augmenting, cleaning, and ensuring accuracy at any given point in time; and
- **Expose** data directly to external systems for seamless delivery of marketing use cases.

To achieve all of the above reliably and at scale is no small feat. Bringing data together into a valuable asset, around a customer, and keeping it accurate over time has always been a formidable challenge. Doing so in a fragmented ecosystem, across multiple touchpoints, with privacy requirements, and a new level of

customer expectation has made it an absolute specialism that few measure up to.

Those that do measure up fall into the first category—The Specialists—and this is where we believe brands should look to solve fundamental customer data challenges. The challenges are dynamic, and it requires a complete and deep specialism to succeed. It also appears to be the place the smart money is flowing. The CDP Institute reveals that while “data plays” only comprise 12% of the CDP market, it’s the category attracting a materially outsized portion of the venture capital.¹²

Marketers at a cross

Today’s marketers need to n demise of third-party data, t importance of first-party da dynamics of identity manage ever-changing regulatory lan

When setting out in search of a solution, marketers are clear about their challenges and what they expect from a CDP. A survey of marketers from the CDP Institute reveals that 85% of respondents see collecting data from all sources as the most important CDP capability, followed closely by identity

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A true CDP should complement and connect the ecosystem





Benefits

Considerations

The Giants



A convenient option if marketers are heavily invested with one cloud vendor. It's relatively easy to switch on a new product in the ecosystem, allowing speed to market.

The Generalists



Hungry and flexible, these vendors will deliver functionalities proactively and reactively. Good for smaller clients that might not be heavily invested and are looking for many pieces of the ecosystem.

The Specialists



Best of breed, with a total focus on core CDP functionality. A good solution for mature enterprise marketers, seeking to build true long-term competitive advantage.

Lack focus and deep specialization. Their ambitions stretch beyond core CDP functionality, and vendors are opportunistic about where to next.

Requires a state of organizational readiness, and appetite for transformation. Potentially more disruptive, but true transformation requires it.

Product choice aside

Product selection is only part of the challenge. Those who pin their hopes on a product usually end up disappointed and seldom achieve differentiation. After all, products freely available on the market tend to create parity, whereas a committed focus on capability building is what

It centralizes consumer knowledge and powers meaningful interactions across touchpoints.

We believe that marketers who will lead the way need to start building this capability, rather than simply investing in platforms. Organizations

Products create parity, but capability creates

The path forward

Before thinking about introducing a product to their ecosystem, vendors need to lay solid foundations for a Customer Data Capability. That requires consideration and work around

1.

Business objectives

2.

The state of the organization's data

Without clean, high-quality data, any attempt to build a Customer Data Capability will be compromised. A critical early step is taking stock of the organization's existing data.

The most effective way to do this is via a comprehensive Data Framework that considers the entire data value chain—where data comes from; how it's collected; the necessary processes and policies; where the data is being used; how it can be used; what's missing; how it can be augmented, cleaned, and connected; and many other areas.

It requires a methodical approach, which leaves no area unexplored, with clear strategies emerging to cover shortcomings and deficiencies.

Questions to consider

1. What data does your organization have?
2. How do you collect data and use it?
3. How do you keep the data clean and accurate?
4. Do you have what is needed to execute use cases? Where will you find what you need?
5. How do you connect data around customers and break organizational data silos?

3.

Current technology systems

Marketers need to assess how any new technology Customer Data Capability will integrate with and complement existing marketing infrastructure and foundational IT systems.

A CDP should remove, rather than add, complexity to the organization's data capability, rather than duplicate existing functional capabilities. It should ingest data from the right sources, and then connect it to the organization's systems of insight and engagement. It should also inform the organization's functional architecture and strategic thinking.

Questions to consider

1. What does your organization's technical environment look like?
2. How do you plan to connect new technology and people in your ecosystem?





4.

Organizational readiness

Getting the organization ready to deliver a Customer Data Capability is the most challenging but often the most overlooked step. Many times, it's where things fail.

The challenge is that legacy organizations aren't equipped to deal with the new process and workflow. They typically have vertical department structures, but a Customer Data Capability—designed to deliver a customer-centric experience—needs to be managed horizontally across the organization, removing all historic silos.

Success depends on organizational buy-in. All stakeholders need to be privy to the vision and need to understand how to adapt. Introducing new operating models, workflows, playbooks, skills, and training is key, but the most important action is bringing the entire organization on the journey and adjusting KPIs as part of a change program. It's an intensive process but one that is critical for success.

Questions to consider

Conclusion

The CDP category set out will centralize data from multiple sources to create a persistent and unified database, helping marketers improve the timing and targeting of their

However, we've since witnessed a dilution of its promising competence as a long list of vendors claimed their space in the CDP spotlight—some with offerings that lack basic CDP

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About Acceleration

Acceleration is a specialist consulting unit within Wunderman Thompson, focused on building data-enhanced capabilities that enable the transformation of marketing organizations.

For over 20 years, we have expertly leveraged customer data to power identity-driven engagement and bring orchestrated, agile, and customer-centric marketing to life for some of the world's largest brands.

Our team is made up of over 200 innovative marketing technologists who support our clients in competing effectively, driving growth, and readying themselves for the future.

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