

THE PATH TO A SINGLE CUSTOMER VIEW:

A CDP guide for retail and CPG

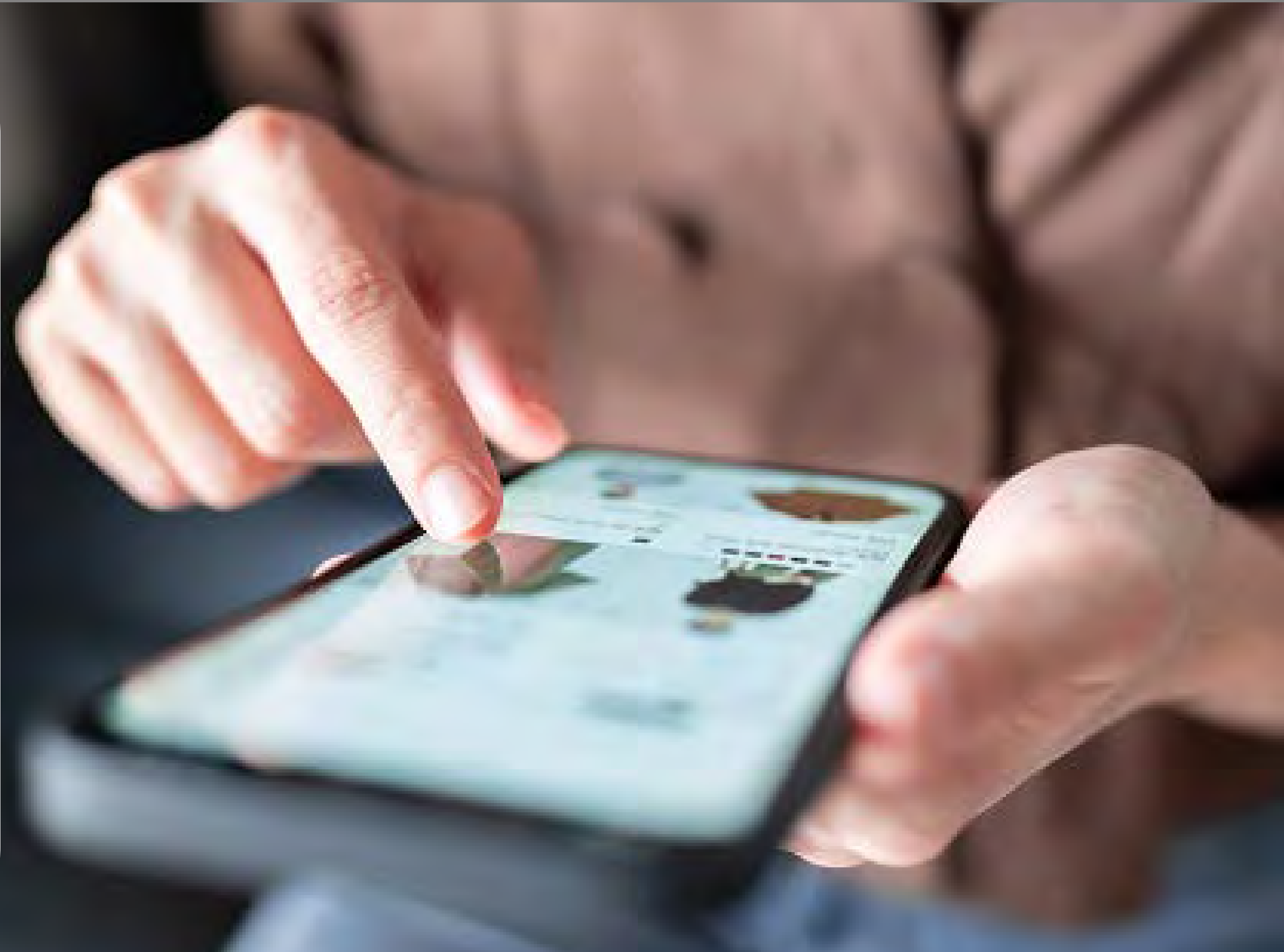


WHAT'S DRIVING THE NEED FOR CDPs IN RETAIL?

While retailers race to ramp up digital engagement efforts, customers are also exploring options - with new priorities and expectations. Inflationary concerns drive changes in spending habits as consumers seek the right balance between fair prices and sustainable engagement from brands. It's clear that from now on, consumers want and expect hybrid digital/physical customer engagement models.

Here's the current state of customer engagement in retail

- According to the CX Survey Report by MIT SMR Connections, only 17% of CX Champions (customer experience leaders) delivering top-quality customer experiences are retailers or CPG companies.
- A disconnect exists between physical experiences, digital experiences and loyalty programs.
- There's a lack of integration between physical offers (stores, print), digital offers (web, emails) and loyalty rewards (vouchers).
- New business models, such as direct to consumer, are changing the way shoppers buy their favorite products.
- Retailers need greater agility to acquire new customers.
- Early attrition detection and true personalization are what retailers strive for when it comes to customer engagement.



The perfect storm: More privacy concerns, less cookies

As consumers worry more about the privacy of their information, retailers face greater regulations that make data harder to come by. Most notably, third-party cookies are becoming a thing of the past - while enhanced privacy protections (such as Apple's App Privacy Report) represent the future.

What happens as privacy protections become the norm and cookies disappear, taking mounds of rich data with them? A perfect storm develops. Increased digital activity drives a need for understanding customer-level digital behavior, while the rising tide of privacy restrictions inhibits retailers from collecting data used for real-time personalization.

To complicate matters more, data silos, aging legacy applications and disintegrated MarTech stacks are also adding to the mix. And a lack of integration isn't the only issue when it comes to MarTech stacks - they're also increasingly complex.

As times change, so do business models

Increased privacy regulations, loss of third-party cookies and consumer demand for hybrid experiences require retailers to rethink their business models. Retailers are shifting to hyper-personalization and omnichannel next-best offer (NBO) initiatives.

CDPs are essential for delivering contextual customer experiences

"By 2024, 25% of the customer data utilized to drive personalized experiences and improve omnichannel merchandising, marketing and service intelligence will be sourced from shared customer data hubs."

IDC FutureScape: Worldwide Retail 2022 Predictions, October 2021

- According to Deloitte, hyper-personalization (creating custom, targeted experiences using data, analytics, AI and automation) can deliver a 10% sales lift plus 8 times greater ROI on marketing spend for organizations that successfully implement it.
- IDC's Future of Customers and Consumers 2022 predicts that 30% of Fortune 2000 companies will deploy NBO across their omnichannel environments in the next few years.
- The recent CX Champions Share Their Secrets survey by MIT SMR Connections found that 86% of CX Champions are planning to expand their use of personalization technology, while 84% are expanding real-time data collection efforts over the next two years.
- CX Champions (as identified in the MIT SMR Connections report) are successful due to a CX strategy at the board level, decentralized CX teams and fully embraced AI and analytics efforts.

With new business models, comes a new approach: The customer data platform

As retailers shift their focus to hyper-personalization, omnichannel NBO efforts and hybrid digital/physical customer experiences, it's more important than ever to have the right technology in place. That's why retailers are turning to customer data platforms (CDPs) as a key piece of the MarTech puzzle.

THERE'S COMPLEXITY AND CONFUSION WITHIN THE MARTECH LANDSCAPE

- 9,932 vendors across 6 categories
- 30 to 50 tools on average within a company's MarTech stacks

2022 Marketing Technology Landscape
Tool numbers for 2022 MarTech Stackies award winners



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The evolving CDP

The possibilities are endless:
CDP use cases and successes

The CDP buyer's checklist

THE EVOLVING CDP

Customer data platforms continue to evolve as retailers modernize their technology and look to CDPs as a cornerstone of their data strategy.

What is a CDP?

The CDP Institute defines a customer data platform as “packaged software that creates a persistent, unified customer database that is accessible to other systems.”

CDPs originally had four simple characteristics: ingest data from multiple sources, manage identities, segment audiences, and provision data to other systems.

The original CDP characteristics are still important to retailers. But as the pressure to personalize intensifies and the technology environment gets more complicated, many are looking to their CDPs to go well beyond data management and simple segmentation.

A comprehensive CDP can provide a 360-degree view of a customer, which can be used for campaign management, cross-channel analysis and multichannel sales and marketing hubs. This data can be analyzed and used to provide additional information that can improve demand planning.

A CDP can be used to create more accurate forecasts of demand by using improved targeting of marketing campaigns, additional information regarding promotions, as well as consumer insights.



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The modern CDP offers more capabilities, market growth – and confusion

CDPs today are critical as retailers move away from simply unifying data to combining channels and creating personalized experiences.

As retailers ask more of their CDPs, vendors have responded – and the lines between the traditional CDP and more comprehensive, multichannel marketing suites have begun to blur. Increased demand, explosive growth, and a variety of vendors and capabilities have led industry experts and analysts to introduce a broad variety of CDP types.

There's more than just the basics

Going beyond the original four basic characteristics, CDPs are now categorized by how many customer experience capabilities they offer. The CDP Institute defines four CDP classifications, ranging from the least to most capabilities offered.

- **Data.** These CDPs have the minimum set of functions required to be classified as a CDP. They gather source data, link it to customer identities and make the data available to external systems.
- **Analytics.** These CDPs provide data assembly plus analytical applications, ranging from segmentation to AI and machine learning. They often automate data distribution to other systems.
- **Campaign.** These CDPs provide data assembly, analytics and customer treatments, which may include real-time interactions. They often include cross-channel orchestration of customer treatments.
- **Delivery.** These CDPs provide data assembly, analytics, customer treatments and message delivery (such as email, web, mobile, etc.).



Unifying data is still important to retailers, but as the pressure to personalize most interactions intensifies and the technology market gets more complicated, they look to their CDPs to go well beyond data management.

Industry analysts add further CDP classifications

Beyond the CDP Institute classifications, other industry analysts have created their own as a way to further define the CDP market.

Gartner's 2022 *Market Guide for Customer Data Platforms* classifies CDPs in the following categories: CDP Engines and Toolkits, Marketing Data Integration, Smart Hub and Marketing Cloud.

Forrester's *Now Tech: Customer Data Platforms, Q1 2022* classifies CDPs in the following categories: Data Management, Orchestration, Automation and Measurement.

"Customer data platforms are one emerging marketing technology that can help companies achieve real-time insights and personalized marketing. These applications create comprehensive customer profiles that merge online and offline data, update digital identities and activate advanced analytics to drive real-time contextual communications."

Delivering Experiences That Win Business and Build Loyalty, MIT SMR Connections CX Survey Report



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THE POSSIBILITIES ARE ENDLESS: CDP USE CASES AND SUCCESSES

As the variety of CDP types continues to grow, it's obvious that retailers want their CDPs to move beyond simply unifying data and into managing the entire customer experience.

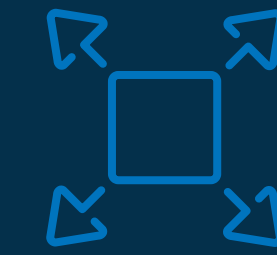
The number of CDP use cases continues to rise

As the types of CDPs expand to meet the needs of retailers - so do the potential number of CDP use cases. Currently, the CDP Institute defines more than 52 different use cases for CDPs. The use cases are wide-ranging, covering areas from golden record creation to real-time offers and content.

Defining a use case

Retailers must define their use cases in order to determine what's the best CDP for their organizations. Here are the six pieces of information that should be identified:

1. **Use Case Name** - should be a descriptive capability name.
2. **Goal** - why do you want to do this?
3. **Challenge** - describes the capability and what you want to do.
4. **Solution** - the high-level tasks needed to accomplish the use case.
5. **Benefits** - what do you expect to accomplish?
6. **KPIs** - how will you measure success?



Omnichannel Retail Journeys

Goal: Acquisition-Conversion; Grow Value; Retention

Challenge

I want to be able to orchestrate customer experiences with optimal messages across all channels

Solution

- Develop models to predict response to alternative treatments
- Select best channels, best timing and make other choices needed to determine optimal treatment to each customer
- Send instructions to delivery systems to execute

Benefits

- Optimal profitability based on having complete data on individual customers
- Complete history on past customers for training the system

KPIs

- Number of messages sent
- Retention rate
- Long-term change in value of customers in campaigns vs. control

Managing the customer journey through the CDP lens

Let's look at how the CDP can be used to activate customer data and manage journeys.

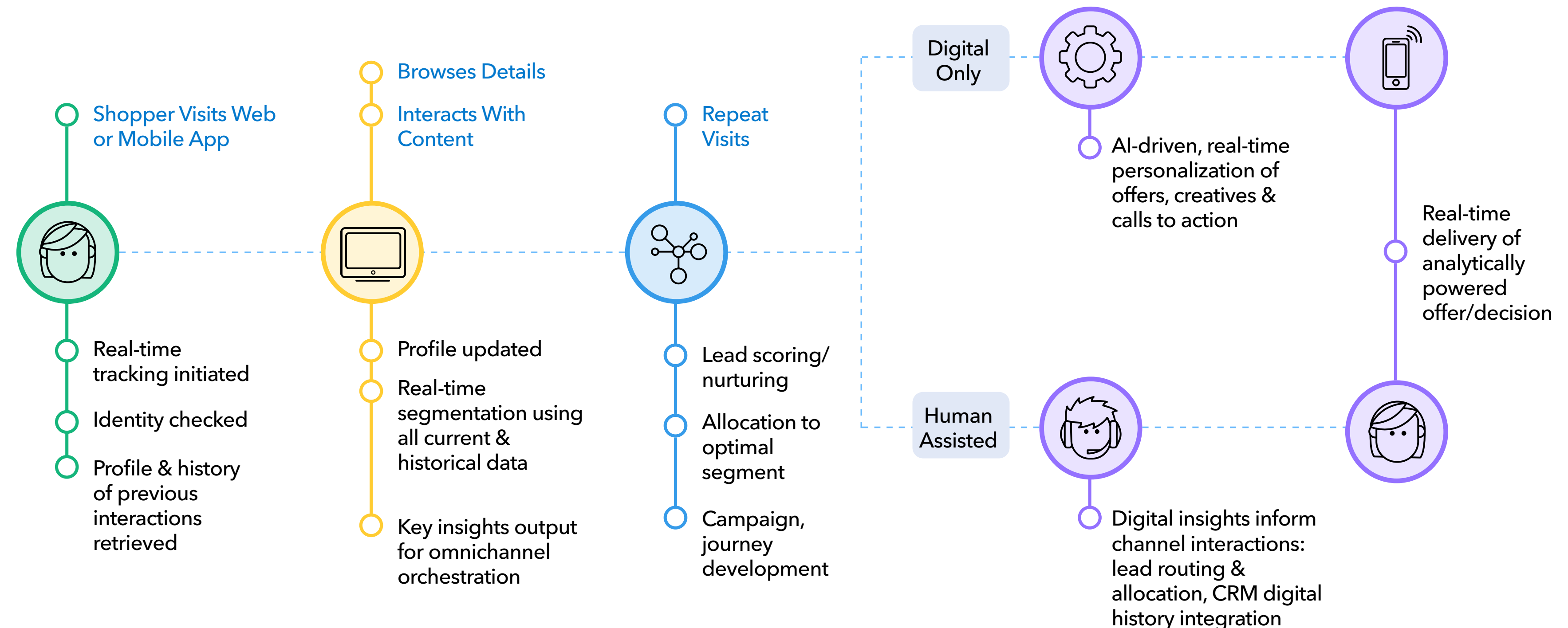
A shopper wants to buy a barbecue grill. They start their search at a retailer's website or mobile app, sorting and filtering by price, desired features and brands. At this point, the CDP initiates real-time tracking to determine whether or not the visitor is already known. If it's a known customer, the visit is added to the customer profile; if not, the activity is assigned an ID number.

As the customer interacts with the website content, the CDP logs significant events and retrieves and incorporates any history of previous interactions.

Lead scoring can occur at any point during this visit, with the CDP allocating the customer to the best possible segment based on past and current interactions. It's also possible for the CDP to kick off a specific journey if it seems appropriate.

Next, the CDP interacts with both digital and traditional channels, incorporates real-time analytics to determine next-best offers, makes recommendations to call center agents and delivers those results to all channels.

CDP in Action – Managing Journeys



Customer Actions CDP Actions

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3 Main Categories for CDP Use Cases



Data Unification

- Golden record and identity management
- Data management/data quality
- Data enrichment
- Data governance/privacy
- Compliance and consent management

Analytics

- Segmentation
- AI and machine learning
- Data visualizations and reporting
- Journey analytics

Journey Management and Activation

- Cross-channel engagement
- Campaign development and execution
- Customer journey development
- Offer and campaign delivery



50+

The amount of customer data platform use cases currently defined by the CDP Institute

Retailers make it personal with a CDP

Ulta Beauty and 1-800-FLOWERS.COM, Inc. were looking for ways to improve their personalization and deliver world-class customer experiences. The retailers turned to a CDP to accomplish their goals.



Ulta Beauty

Prior to implementing its CDP, **Ulta Beauty** had scattered data silos that slowed marketing campaign design and execution times, reducing team efficacy across the organization. Most importantly, Ulta Beauty's customer engagement leaders were missing opportunities to delight guests with personalized marketing due to data latency.

"Before SAS came into the picture, our challenge was to create a technology stack ecosystem that could complement or couple data analytics with campaign activation," says Kelly Mahoney, Vice President of Member Marketing for Ulta Beauty. "Personalization is the key to unlocking our future success, and to do this well means we need to apply data and decisioning alongside campaign activation."

Creating a single environment where Ulta Beauty marketers can access all of the company's insights in one place would allow for agile decision making and better return on investment.

"SAS was the perfect partner to meet our challenges," Mahoney says. "As the leader in analytics, SAS knew how to infuse our data into the customer journey. Today, we're able to leverage analytics and our campaign activation-to-decision messages that reach our guests in almost real time."

"After profound research, Coppel decided to implement SAS CI 360 as its central marketing personalization platform. It will allow us to create a truly omni-channel customer journey so that we are consistent and strategic in whatever the customer prefers. . . . It also provides the functionality we need to incorporate data from a variety of sources and exploit such data, which provides us with the flexibility to be creative and generate more powerful analytics."

David Benabib *Head of CRM and Personalization* Coppel



1-800-FLOWERS.COM, Inc.

Over the past couple years, **1-800-FLOWERS.COM, Inc.** has undergone a major effort to further strengthen its analytical capabilities and enhance the customer experience. By adopting SAS® Viya® on Azure, the e-commerce retailer now has a modern, scalable, cloud-based analytics, AI and data management platform to support its growing business.

For 1-800-FLOWERS.COM, Inc., personalized marketing isn't lip service; it's how the company continues to provide a best-in-class customer experience.

For instance, daily models that 1-800-FLOWERS.COM, Inc. runs power digital marketing activities such as calculating the next-best offer across a myriad of digital marketing channels. In fact, the majority of analytics usage at 1-800-FLOWERS.COM, Inc. goes toward personalizing marketing activities.

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THE CDP BUYER'S CHECKLIST

With so many options and considerations when implementing a CDP, it's easy to get overwhelmed. Here's what organizations need to know before taking the leap.

First, know the answers to these three questions

Starting out with these questions is a logical first step toward selecting the CDP that's the best fit for your organization.

1. How far down the customer experience capability curve should the CDP go?

- Consider a **data, data management or marketing data integration CDP** if data unification and basic segmentation are the primary goals.
- Consider an **analytics or measurement CDP** if more sophisticated analytics (e.g., beyond basic segmentation) and visualizations and dashboards are needed.
- Consider a **campaign, delivery, automation, orchestration, smart hub or marketing cloud CDP** if modernizing current marketing automation applications or investing in a multichannel marketing suite is the ultimate objective.

2. How does the CDP fit into the current MarTech stack?

- Look for a CDP that has built-in integration capabilities for the applications in the current stack.
- Look for overlapping capabilities between the CDP and current stack.

3. Does an established infrastructure such as a data warehouse/data lake or modern cloud data store (e.g., Snowflake or BigQuery) already exist?

- If so, consider a CDP that incorporates a hybrid data structure so that all the data doesn't have to reside in the CDP in order to be used.



Cutting through the confusion of the CDP market space requires a thorough evaluation of marketing and CX needs.

Must-Haves for a CDP

- Identity management
- Journey development
- Digital data collection
- Insight activation



Next, consider these CDP must-haves

Beyond answering questions about the existing environment and expectations, there are several more capabilities that should be considered must-haves when selecting a CDP.

The platform should be customer-centric and provide a single view of each customer across all touch points. Specifically, the CDP should be able to:

Manage identities and collect digital data.

Provides a single, cross-channel view and collects customer-level digital data.

- Digital interactions consolidated at the customer level, including aggregate data views for sessions, anonymous prospects, identifiable traffic and existing customers.
- Events are detected as they happen, collecting behavioral data from pages, screens and field interactions across digital properties.
- Known and unknown digital activity is linked.
- Identity graphs are dynamically updated.
- Real-time, deterministic identity management is performed.
- There are comprehensive controls for data collection.
- Online and offline data are combined into a single data profile.

Develop journeys and activate insights.

Goes beyond simply unifying customer data.

- Attribution is algorithmically driven.
- Embedded AI, reinforcement learning, A/B, multi-armed bandit and multivariate testing are available.
- Real-time AI and ML capabilities are used in predictions and optimization.
- Integrated decisioning engines can combine business rules and analytical models for complex decisions.
- Built-in, bidirectional connections exist for applications such as SFA/CRM, digital commerce, content management, digital asset management and call centers.
- Journey builders include audience definition/filtering, rule setting and interaction-level management (targeting, frequency capping and NBO).

Want to learn more about customer data platforms?

Visit [SAS](#) and see how we can deliver the customer data platform capabilities that your organization is looking for.

MarTech and AdTech are merging - [read this white paper](#) to learn why a CDP should be the centerpiece of a successful data strategy in the new world of MadTech.

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