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HANDBOOK ON
CUSTOMER DATA PLATFORMS

This handbook will help you assess if you need a Customer Data Platform (CDP), what use cases and outcomes it can enable for retailers and how you can measure the ROI from this new technology

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Problems a Customer Data Platform solves for Retailers

If "Old wine in a new bottle" is your reaction when you come across the term CDP, you're not alone. The concept is not new, but past months have seen a fresh articulation of its benefits and guiding principles.

The vision is to put the customer at the centre of business, and at the centre of enterprise data. By setting up the core infrastructure and inter-relationships, actionable insights are generated that can be directly consumed by business stakeholders. While there is no formal definition of a CDP, it is essential it unifies a company's customer data across channels and enables marketers with basic analytics capabilities.

Before you are evaluating this category of marketing technology, assess your business goals and must-have use cases. If any of the below is your requirement, a CDP is what you need.

1. Combine offline and online customer data from various channels and across functions.
2. Provide direct access to granular and up-to-date customer data to business users.
3. Build a data driven customer engagement strategy.
4. Create granular customer micro-segments.
5. Provide consistent omnichannel experience to customers.
6. Make relevant recommendations and deliver 1-1 personalization to customers.
7. Engage customers across their multi-channel path to purchase.
8. Capitalize on marketing opportunities through real-time messages.
9. Optimize marketing spend and attribute accurately.
10. Avoid goof-ups in customer outreach and suppress unnecessary communications.

Consumers will expect 'radical personalization' soon, and without the right tools it will be hard to deliver on these expectations even for nuanced B2C marketers.

The term Customer Data Platform was coined in 2013 by David Raab, founder of the CDP Institute. Interestingly, Manthan launched Customer360 in 2012, just a year before David coined the term. The core tenets were strikingly similar to David's thinking.

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Measuring the ROI from a Customer Data Platform

Returns from technology investments are hard to measure. In making the business case for a CDP, CMOs should pick the blend of outcomes that work for their needs.

A CDP's performance should be measured through a combination of its monetary impact, efficiency gains it brings, and business KPIs it helps attain.

These are the four important categories for defining the success of a CDP in retail

REVENUE LIFT	OPTIMIZED COSTS & EFFICIENCY	IMPACT ON BUSINESS METRICS	USE CASE ENABLEMENT
Higher conversions • Reduced cart abandonment • Repeat purchases • Cross-sell and recommendations **Revenue lift** • Average order value • Average revenue per customer	**Data related** • FTE savings to aggregate & analyse data sets **Customer related** • Lower customer acquisition costs • Lower customer outreach costs **Time to market** • Time to launch campaigns	**Customer KPIs** • Customer lifetime value • Customer retention & cost of retention • Customer satisfaction scores **Marketing KPIs** • Opt out rates • Return on ad spend • Customer visits and visit duration	**Customer facing** • 1-1 Personalization • Custom recommendations • Real-time engagement • Journey marketing **Marketer tools** • Improved data quality & insights • Unified customer and household profiles • Marketing analytics

In the long-term, customer data can provide strategic advantage to business – marketers can interact with customers in a consistent, context-rich way that cultivates genuine loyalty and creates barriers to entry for others

Build or buy a Customer Data Platform? And which one?

Just like the right wine pairing can make a meal perfect, an industry-specific CDP can address retail organization's unique needs.

It is understandable if you are grappling with the build vs. buy conundrum. If marketing and technology teams can come together and define what they need, describe the exact requirements and specifications, have a services partner or an in-house team who can deliver to the requirements, build is a path to consider. You will still have to wait for 6 to 12 months to get access to the solution. You also need substantial budgets, right skills to execute, mechanisms to deal with scope creeps and manage vendors.

A pre-packaged CDP that is crafted for an industry offers the best of both worlds - quick time to value of a 'plug and play' solution and custom-fit of a bespoke solution. The time and costs involved for upkeep are much lower, and there are no harsh surprises.
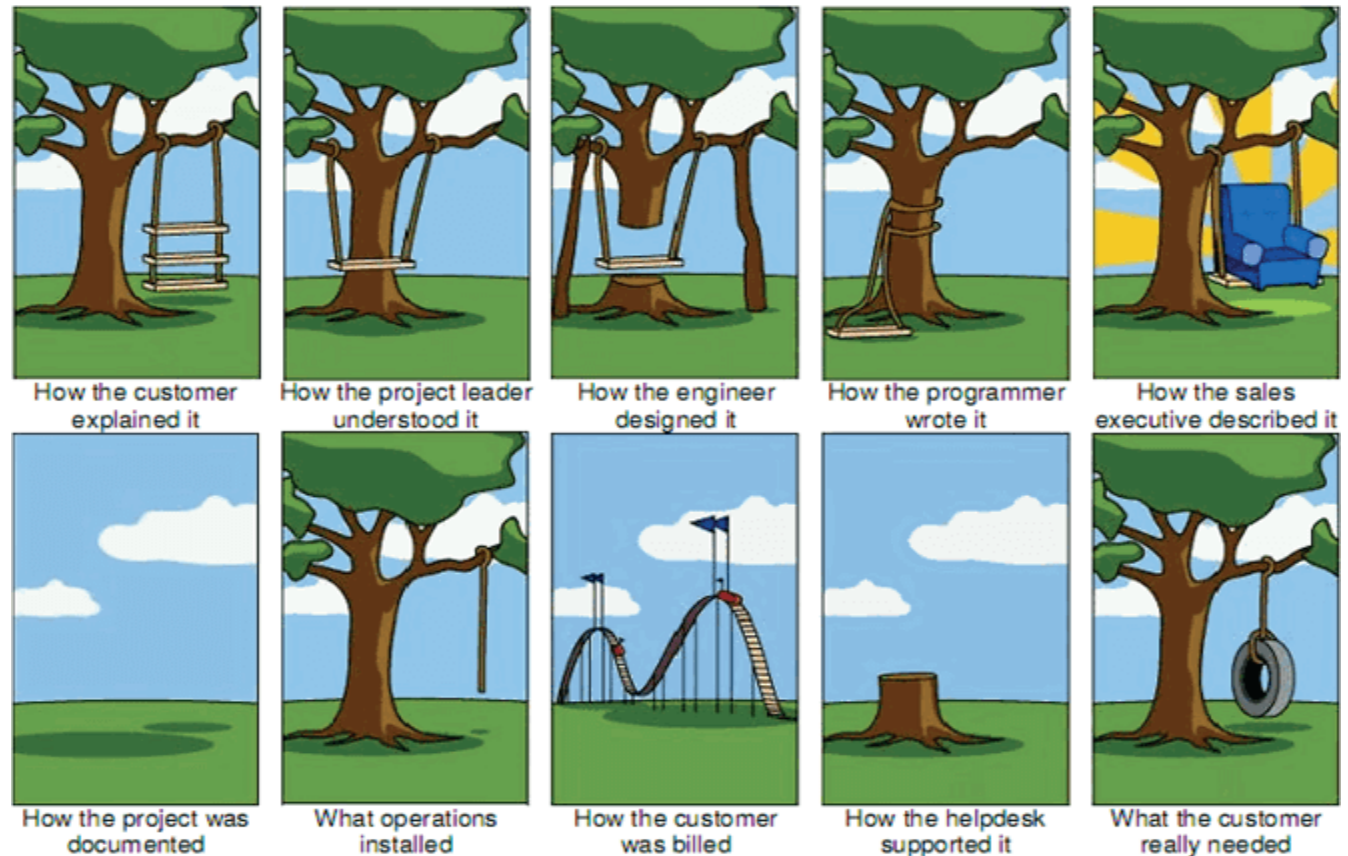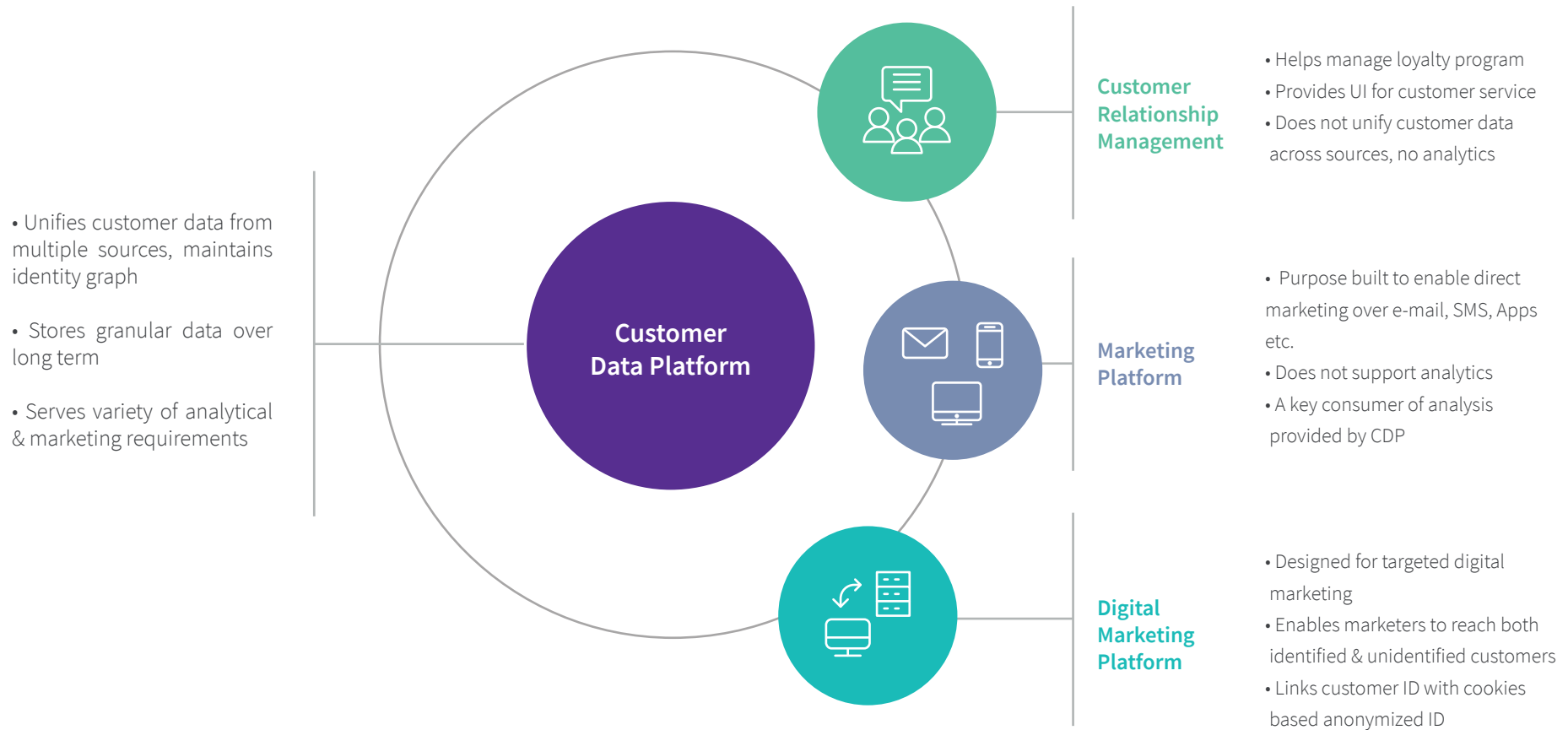

Fig i. How a large scale IT project plays out

Source: tamingdata

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How is a CDP different from other marketing platforms and databases?

There are three overlapping technologies that frequently confuse buyers, so let's set the record straight.

Customer Relationship Management
- Helps manage loyalty program
- Provides UI for customer service
- Does not unify customer data across sources, no analytics

Customer Data Platform
- Unifies customer data from multiple sources, maintains identity graph
- Stores granular data over long term
- Serves variety of analytical & marketing requirements

Marketing Platform
- Purpose built to enable direct marketing over e-mail, SMS, Apps etc.
- Does not support analytics
- A key consumer of analysis provided by CDP

Digital Marketing Platform
- Designed for targeted digital marketing
- Enables marketers to reach both identified & unidentified customers
- Links customer ID with cookies based anonymized ID

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Fig ii. How a Customer Data Platform differs from other marketing systems and customer databases

Manthan's view of CDP

We define CDP as the core data infrastructure that can ingest, manage and serve data. More value-added CDPs have analytical or data science capabilities: segmentation, look-alike predictions, data exploration, micro-segmentation and self-service analytics. These capabilities make it a complete customer analytics solution.

A CDP links data-sets using any available common identifier such as email ID, phone, loyalty card ID, e-commerce login etc. It can also link the behavior retrospectively; for instance, if an e-commerce visitor is identified in the 5th visit when she completes the transaction, her browsing behavior for the previous visits are also mapped ensuring that any insights are not lost.
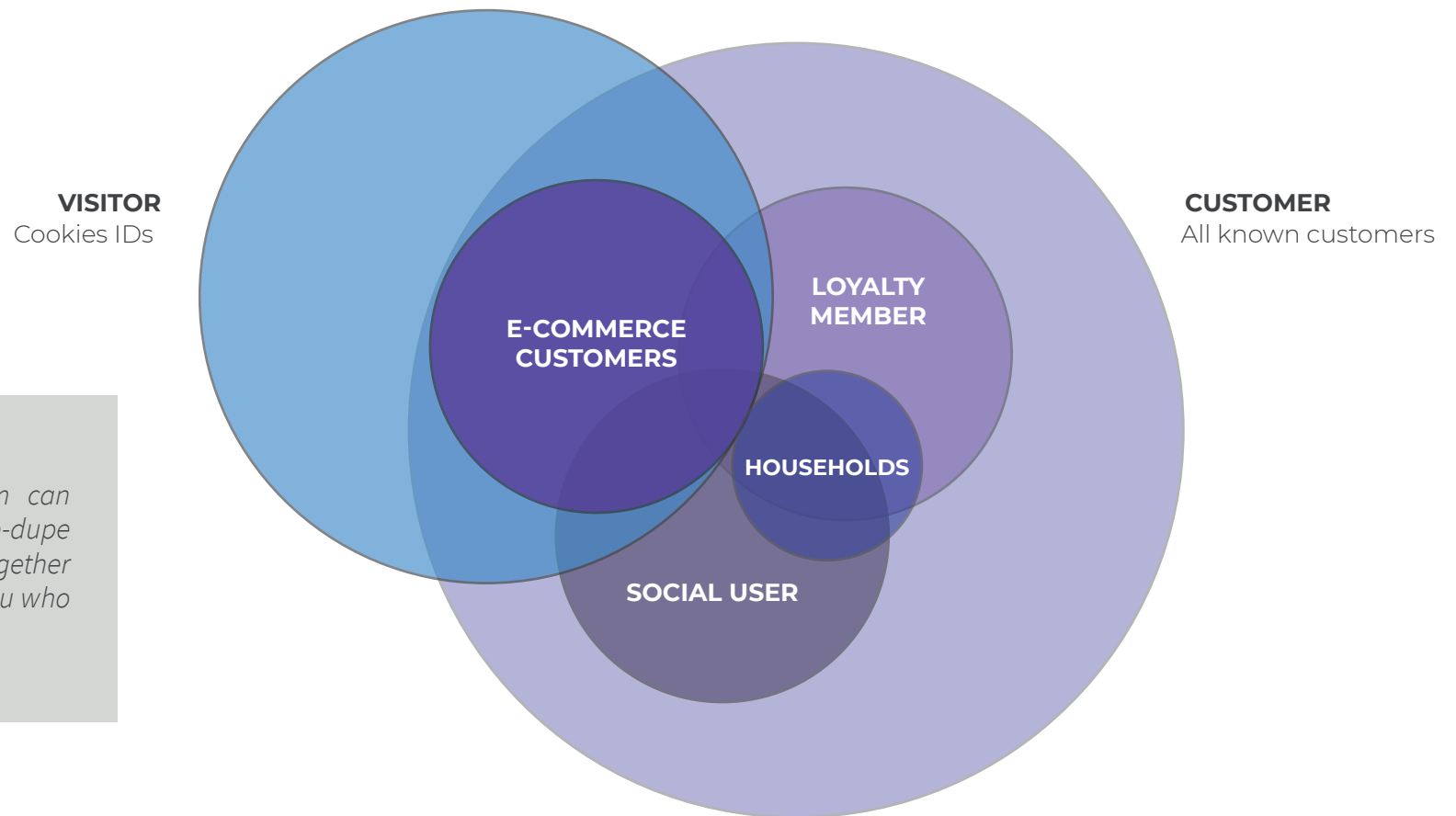
"In essence a Customer Data Platform can integrate data from multiple channels, de-dupe and clean the information and stitch it together for a unified view of customer that tells you who they are, what they like and how they buy"

VISITOR
Cookies IDs

CUSTOMER
All known customers

E-COMMERCE CUSTOMERS

LOYALTY MEMBER

HOUSEHOLDS

SOCIAL USER

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A CDP must serve three key functions

**I.** **Data ingestion**

Conceptually, there are 3 types of data.

The identity: who is the customer and her identify graph across sources such as CRM, sales, customer service, ecommerce, mobile apps, marketing channels.

The stimulus: Actions that you as business are taking such as running campaigns, sending offers etc. CDP should allow you to include enterprise data sources – campaign history, product masters, offers, click-stream, etc. .

The response: Customer response to the stimulus. E.g. your email generates responses such as opens, clicks, unsubscribe; ecommerce generates click stream & transactions.

Fig iv. Conceptual view of Manthan Customer Data Platform
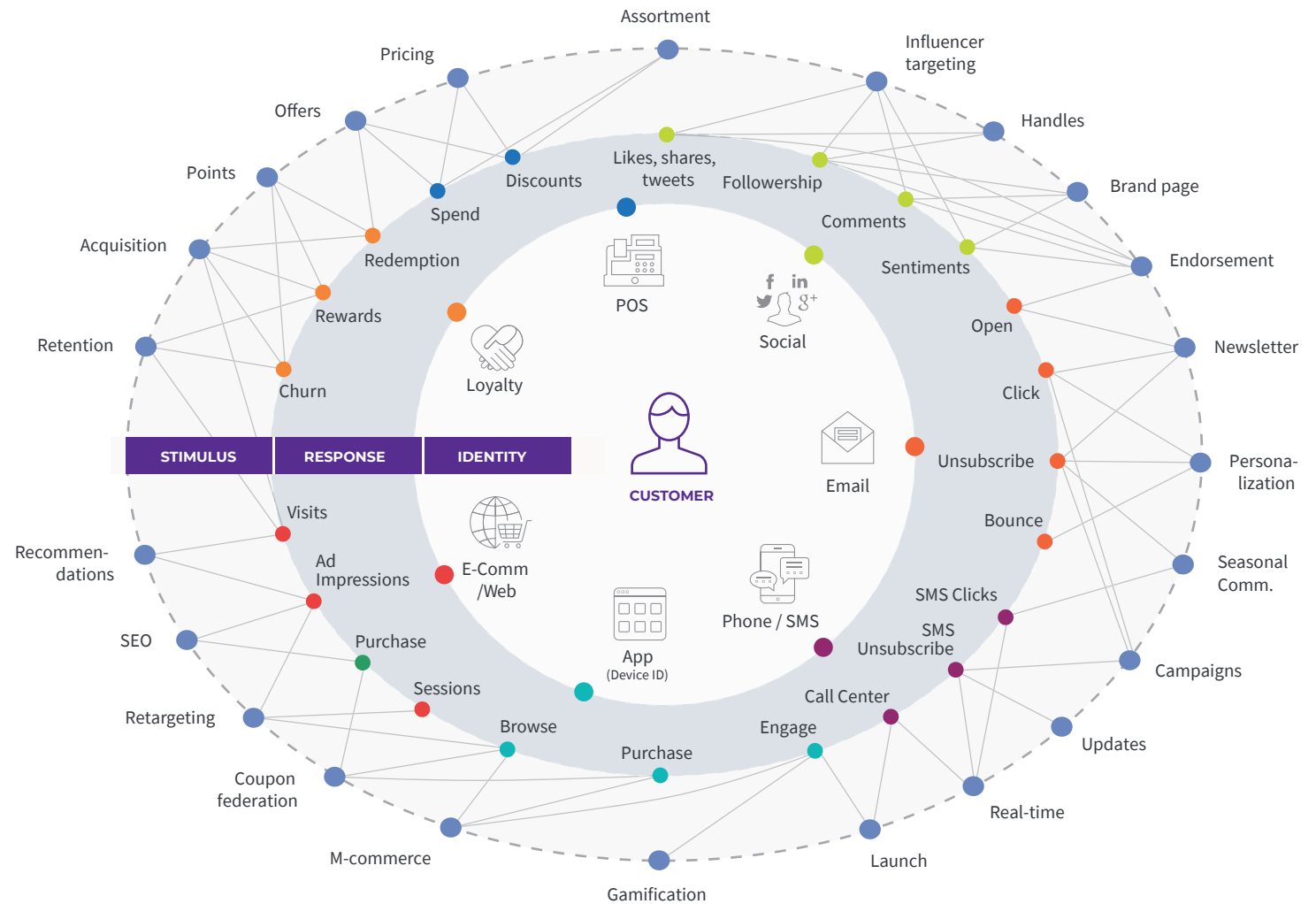
II. Data management

How the data is managed has a bearing on what use-cases it can serve. Not all data is created equal and each user group needs data in a different manner. Data coming into the system gets organized as follows:

Raw data is stored in a low cost storage, from where it flows into the **transformed data zone** after undergoing quality checks. A sub-set of this move to business storage, enabling use cases such as micro-segmentation. For example, customers who spent over $100 on clothing for girls aged 5-8 years, but have not transacted for 2 months. The most frequently used data is managed in the **in-memory storage**, which enables easy search and self-service analysis.

The data needed to personalize in **real-time** such as customer journey actions must be stored in an to guarantee millisecond response
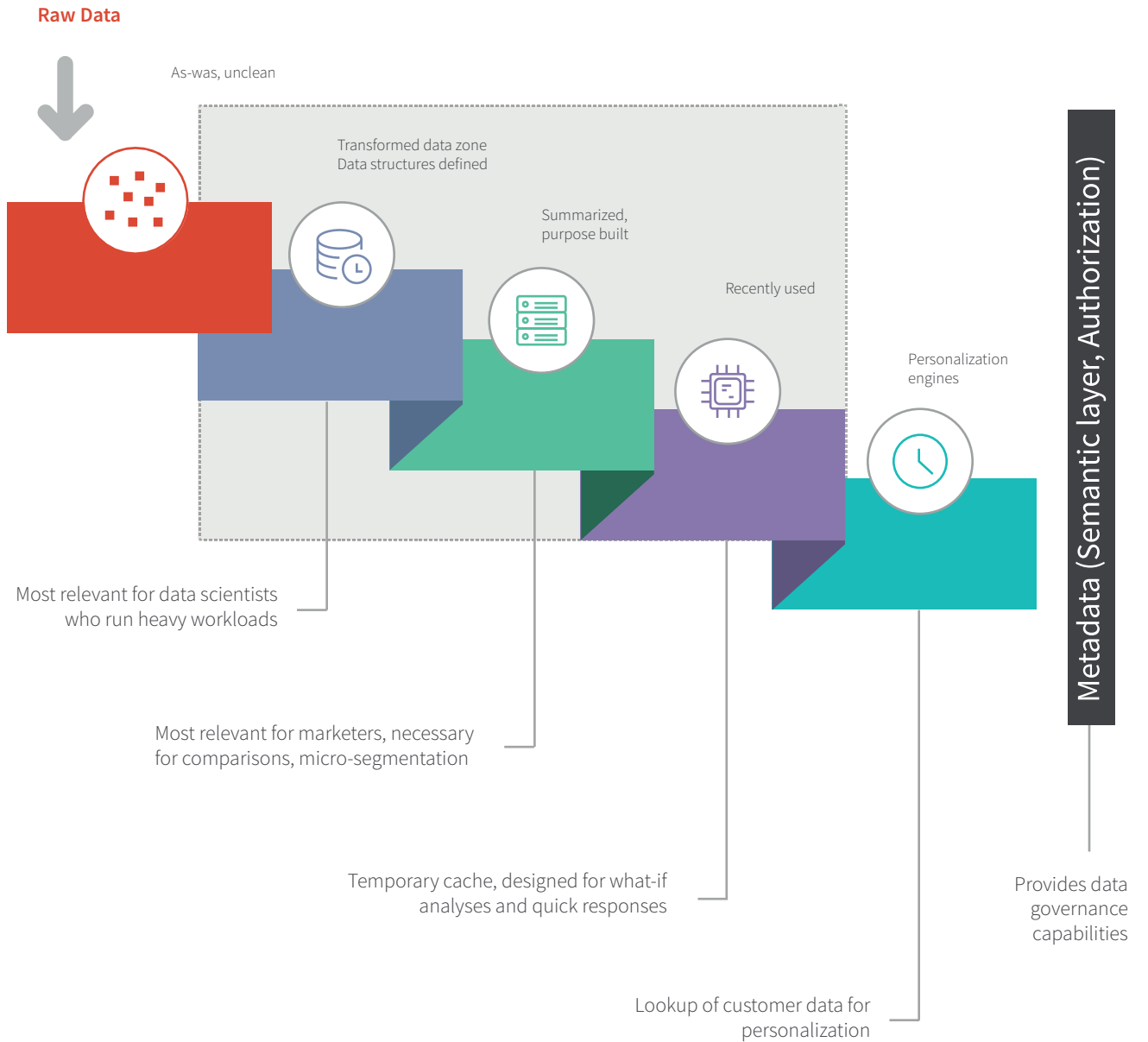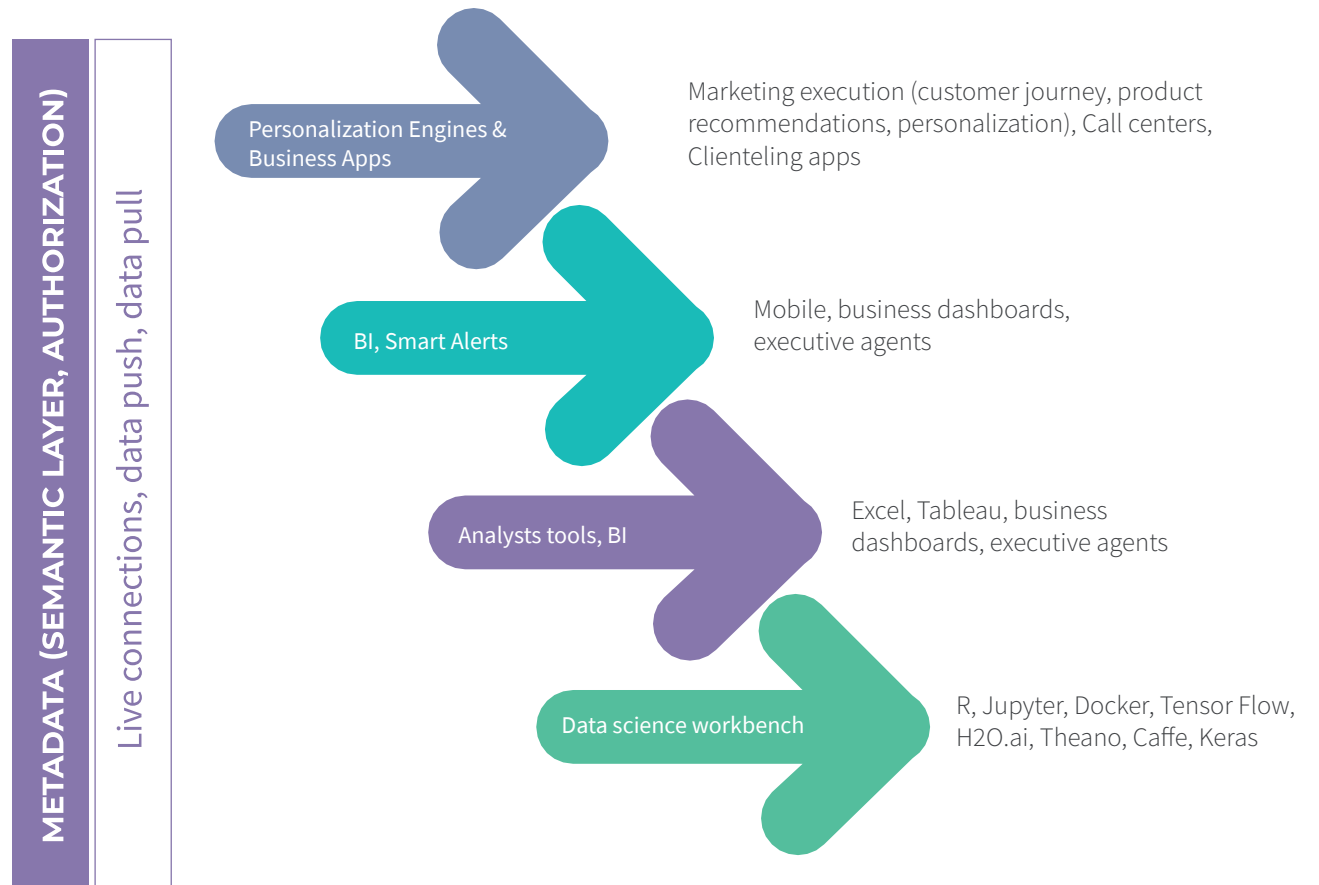
Building such a data infrastructure from scratch is time prohibitive and risky. CDP providers with a data model optimized for retail bring huge value by getting the infrastructure up quickly.

Raw Data

As-was, unclean

Transformed data zone
Data structures defined

Summarized,
purpose built

Recently used

Personalization
engines

Metadata (Semantic layer, Authorization)

Most relevant for data scientists
who run heavy workloads

Most relevant for marketers, necessary
for comparisons, micro-segmenthation

Temporary cache, designed for what-if
analyses and quick responses

Lookup of customer data for
personalization

Provides data
governance
capabilities

Fig v. CDP meets data management needs of each user group

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Manthan CDP has over 2,000 measures and dimensions, with well-articulated glossary of terms. It understands the granularity of data requested and automatically decides the data mart best suited to respond to the request

III. Data serving

CDP serves the data to various applications, and it must be business user driven, not requiring any coding skills to work with. To drive adoption, you need business-user friendly nomenclature and a consistent definition of metrics across user groups.

USER GROUP	USE-CASES
Campaign managers, Customer journey planners, Customer experience team	• Personalization • Real-time targeting • Omni-channel customer journey • Recommendations • Clienteling solutions
Business analysts, CRM analysts	• Track marketing ROI • Understand customer preferences • Plan new campaigns • Churn risk scoring • Deciding target segments
Data scientists	• Build analytical models • Identify long term trends • Complex scenario analysis and optimization

METADATA (SEMANTIC LAYER, AUTHORIZATION)

Live connections, data push, data pull

Personalization Engines & Business Apps → Marketing execution (customer journey, product recommendations, personalization), Call centers, Clienteling apps

BI, Smart Alerts → Mobile, business dashboards, executive agents

Analysts tools, BI → Excel, Tableau, business dashboards, executive agents

Data science workbench → R, Jupyter, Docker, Tensor Flow, H2O.ai, Theano, Caffe, Keras

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So, should you get one?

Any B2C organization that aspires to engage consumers in a consistent and personalized manner needs a CDP - to make aggregated customer data accessible to all. **If your business has a high repeat purchase rate, you require a CDP**. It is therefore critical for industries such as grocery, fashion, departmental stores, hypermarkets, restaurants, entertainment, banking, telecom, etc.

On the other hand, businesses with low frequency, or no repeat customers depend on new customer acquisition to drive revenue, hence a CDP might not be as critical. Such industries include bridal wear, new car sales, furniture, white goods etc.

Everyone appreciates good wine; and every business that wants to become customer-centric should get a CDP!
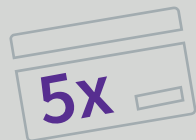
What the retailer achieved:

(1 - 1)   **Personalization across channels**

20%   **Reduction in email unsubscribes**

5x   **Lift in transaction rates among at-risk customers**

Fast fashion retailer in US increased sales and controlled churn with Manthan CDP and Analytics

The retailer with 250+ stores and over 8 mn customers was looking to revitalize customer engagement across all engagement channels including in-store, e-commerce and mobile.

Customer Asks

1. Improve cross-sell from existing customer base.

2. Reduce customer churn.

3. Contain e-mail unsubscribes.

The Solution

1. **Single view of the customer:** Aggregated and managed data from various sources to create a marketer-ready, unified view of the customer

2. **E-mails with customized communication:** Engaged customers with targeted, relevant communication based on their journey.

3. **Cross-sell revenue from existing customers:** Retained high value customers, growing their basket size through context-based product recommendations and promotions they value

4. **Cost savings and optimized marketing:** Automation of manual work, deployment of A/B testing and unifying data into meaningful dashboards that support decision making.

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Manthan is a leading cloud analytics company pioneering applications for consumer-facing businesses. Manthan excels in the application of decision sciences and AI; its suite of products has been recognized for enabling the shortest path to profit. Manthan's products use machine intelligence to process decision contexts and respond automatically with actions. Headquartered in Bangalore with offices in Santa Clara, London, Dubai, Mexico City, Singapore and Manila, Manthan's footprint spans 22 countries.

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RichRelevance is the global leader in personalized search, content and recommendations, driving digital growth and brand loyalty for 200 of the world's largest B2C and B2B brands and retailers including REI, Burberry, LL Bean, CDW, and Office Depot. The company leverages advanced AI technologies to bridge the experience gap between marketing and commerce to help digital marketing leaders stage memorable experiences that speak to individuals – at scale, in real-time, and across the customer lifecycle. Headquartered in San Francisco, RichRelevance serves clients in 44 countries from 9 offices around the globe.

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