Course Correction

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

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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?

Have industry players lost sight of the real promise of a CDP, which is deeply rooted in data and identity—an absolute specialism, rather than a broad generalism across the value chain? Have marketers been sold a product that neglects the required thinking about their organization, its readiness, and its unique needs to drive competitive advantage?

In our opinion, the answer to all these questions is yes, and each will be explored in this paper. It’s telling that a 2020 “State of the CDP” report indicates that almost 60% of brands who own a CDP today are considering switching vendors within the next year.

It signals disappointment and disillusionment—and in a category with such promise, it’s a shame the industry has not done better.

But all is not lost. There is intrinsic value in the category, and it has a critical role to play in the ecosystem when considered and approached correctly. This paper will examine these areas and offer an opinion on how marketers should approach a CDP, how they can embrace the functionality offered to improve customer experience, and ultimately drive competitive advantage for their business.

We suggest this begins with a perceptual shift towards building an internal competence that we’ve termed a “Customer Data Capability”, rather than thinking about a Customer Data Platform as a solution in its own right.

To win, marketers need to shift their thinking towards building a Customer Data Capability rather than simply selecting and implementing a product. By themselves, products create parity, but it’s capability that delivers competitive advantage.

Building a Customer Data Capability is hard. It’s invasive and disruptive, but this is what true transformation demands. And herein lies the opportunity, as not all organizations will have the appetite or resolve to deliver it.

Key takeaways

There is a critical role for the CDP, but only when applied as a deep specialism, rather than a broad generalism. A CDP should add unique value that complements and connects the eco-system, without disrupting or displacing elements thereof.

To win, marketers need to shift their thinking towards building a Customer Data Capability rather than simply selecting and implementing a product. By themselves, products create parity, but it’s capability that delivers competitive advantage.

As vendors have scurried to apply the trending “Customer Data Platform” label to their offerings, marketers have been left confused and disillusioned by the category’s broad promises. With that as our current reality, what is the best way forward for marketers? Could thinking about a Customer Data Capability be a guiding light?
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 platforms of their own.

2020
Salesforce launched Customer 360 Truth. According to the CDP Institute, there are approximately 100 vendors claiming the CDP title.

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

The promise of the specialism thrust the CDP sector into the spotlight.

A noble intention

In 2013, David Raab, the founder of the CDP Institute, coined the phrase “Customer Data Platform” to describe marketing platforms that create a persistent, unified customer database that draw in data, especially first-party data, and make it accessible to other systems.¹

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.²

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.³

A specialism, full of noble intent, sparked 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.⁴

A category that was once composed of small, specialized, best-of-breed vendors grew quickly to include the larger players in digital marketing, data management, and enterprise software: a long list of start-ups and existing technology vendors claimed their space in the CDP market.

Growth in Europe was boosted by the Global Data Protection Regulation (GDPR) and the requirement to handle personal data more securely. And, subsequently, the California Consumer Privacy Act (CCPA) had a similar effect in North America.

Enter the giants

More recently, the giants of the ecosystem made their appearance. Oracle officially launched CX Unity in October 2016, and Adobe entered the fray with Adobe Experience Platform late in 2019, as did Microsoft with Dynamics 365 Customer Insights.

In 2020, Salesforce emerged with Customer 360 Truth. And, according to the CDP Institute: “Other enterprise software vendors including SAS, Teradata, and SAP have also announced CDP products or are expected to.”⁵

Analysts are forecasting robust growth for this category in the years to come, as marketers seek to more effectively leverage customer data to understand behavior, manage data in a manner that complies with regulations, and drive an improved customer experience from artificial intelligence-based marketing technologies.

According to the CDP Institute, there are already approximately 100 vendors claiming the CDP title.⁶ And the growth of the category doesn’t appear to be slowing. As outlined by ReportLinker, the global CDP market is projected to grow from $2.4 billion in 2020 to $10.3 billion by 2025, at a compound annual growth rate of 34% during the forecast period.⁷

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 confusion in the market but has sadly resulted in a diluted proposition in the CDP category.

Now, as generalist players offering analytics, campaign, and delivery capabilities proliferate, many of them are unable to deliver basic CDP functionality, such as the ability to ingest data from any channel. 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 that 58% of marketers with CDPs said they are planning to switch to a different provider within the next 12 months.

As a natural result, marketers are increasingly turning internally to build CDP functionality themselves. We see this reiterated in a recent Forrester report: “Many B2C marketers have moved beyond debating CDP A vs CDP B. Instead, they’re weighing whether to buy a CDP, upgrade an existing marketing cloud implementation, or build a solution in-house.”

As Raab puts it: “The CDP industry faces two challenges. First, many firms offering a CDP or CDP alternative fail to build the complete, shareable customer database that is the heart of the CDP concept. Second, legitimate CDPs vary hugely in the additional features they provide, leaving buyers confused by the range of options.”

Despite this, we still believe that the CDP category has a real contribution to make. But we need to be clear about what exactly that contribution is and, more importantly, what it is not.

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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

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.

- **The Generalists:**
  Typically focused on measurement, reporting, segmentation, modeling, machine learning and audience creation. Alternatively, they focus on the creation, orchestration, and execution of campaign messaging across multiple marketing channels. These are no doubt valuable functions across insight and engagement; use cases, but not core CDP capability and widely available in adjacent platforms, many of which are already deeply embedded in marketers’ ecosystems and working processes.

- **The Giants:**
  The cloud plays working the entire value chain, claiming to deliver end-to-end across data, insight, and engagement domains. They often offer the easiest route but lack the deep specialization and complete focus that best-of-breed solutions offer.

The brutal truth

While the Generalists and Giants typically display some measure of data capability, this is not their sole focus. Moreover, if the functionality is delivered, it’s often diluted as the vendor’s priorities and resources are understandably spread wide.

We don’t believe there is any need for a CDP to occupy the entire value chain. A true CDP should complement and connect the ecosystem, rather than duplicate and displace elements thereof.

To remove confusion and duplicative cost, and to solve for core challenges, complete clarity is needed. We believe that a CDP, as originally intended, should contribute a persistent, unified view of a customer (ingesting, transforming, connecting, and enhancing data) that can then be made available to other systems. It should act as processor between marketing componentry, rather than a do-it-all solution.
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 matching (76%). Less than half saw message selection or cross-channel orchestration as key features.

But as marketers seek to remain relevant—and stay ahead of their peers in a fiercely competitive and time-pressure environment—the temptation to grab at the “next best thing” escalates. This exposes marketers to a risk of investing time, effort, and valuable resources in a solution that ultimately fails to meet their needs. Marketers should not allow the allure of “non-core” offerings to distract them from choosing the most appropriate solution. They should remain focused on the outcomes they require, and keep this top of mind when making investment decisions. There is no one right answer, and much of their decision will rest on their readiness and position on the maturity spectrum.

A true CDP should complement and connect the ecosystem.

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.

Marketers at a crossroads

Today’s marketers need to navigate the demise of third-party data, the increasing importance of first-party data, the complex dynamics of identity management, and an ever-changing regulatory landscape.

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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 creates competitive advantage. Those who are truly committed to securing long-term competitive advantage must focus on building a strategic asset for the enterprise—a Customer Data Capability.

A Customer Data Capability demands a much deeper organizational proficiency—one that brings data, technology, identity, and the organization together around objectives to transform the customer experience, fuel differentiation, and build competitive advantage. 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 that take this approach will be best positioned to become truly customer centric. It won’t be easy—it’s an invasive and transformational process that will touch almost every part of the enterprise. It will require new ways of thinking and working, and the tenacity to get things done. But those with the appetite will future-proof their business and remain relevant in an increasingly disruptive environment.

Before thinking about introducing a new product to their ecosystem, marketers need to lay solid foundations for a successful Customer Data Capability. This involves consideration and work around the following:

### The path forward

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Considerations</th>
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<tbody>
<tr>
<td>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.</td>
<td>Won’t offer the dedicated specialist and will always work best within the vendor’s ecosystem. To some degree, it limits flexibility going into the future.</td>
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<tr>
<td>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.</td>
<td>Lack focus and deep specialism. Their ambitions stretch beyond core CDP functionality, and vendors are opportunistic about where to next.</td>
</tr>
<tr>
<td>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.</td>
<td>Requires a state of organizational readiness, and appetite for transformation. Potentially more disruptive, but true transformation requires it.</td>
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### Product choice aside

Products create parity, but capability creates competitive advantage.

**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.

**Business objectives**

Organizations need to define specific business objectives. It’s not enough to say the goal is to “unify customer data” or “implement a CDP.” They need to be clear about how they will differentiate themselves through an improved customer experience.

With strategic goals in place, they need to drill down to the use cases, and have a clear understanding of the requirements to deliver against each. Ultimately, they need to be sure they’re set up to deliver on their strategy. As importantly, they need to determine a framework to measure progress and success against their objectives.

**Questions to consider**

1. **How do you want your brand to show up in the customer experience?**
2. **What data is required to deliver against use cases, and do you have access to it?**
3. **How will you automate to achieve scale?**
4. **What measurement framework will keep you on track?**
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?

Current technology systems

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

A CDP should remove, rather than add, complexity and bring new capability, rather than duplicate existing functionalities. It should ingest data from the right sources, and then connect to and power the organization’s systems of insight and engagement. This requires functional architecture and strategic thinking.

Questions to consider

1. What does your organization’s technical environment look like?
2. How will any new technology connect to and power the ecosystem?
3. Where does core functionality reside within the current ecosystem, and how will you prevent duplication?
4. What are the use cases you need to execute, and can the technology consume the data it requires in order to do so?
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 functionality—leaving marketers confused and disillusioned by a category that has lost its way.

Nevertheless, we still believe that there is intrinsic value in the category and that it plays a critical role in the ecosystem when approached as an absolute specialism, with a focus on data and identity. Marketers need to be decisive about their unique challenges and should seek a solution that meets their core requirement, avoiding distractions. This approach, coupled with a clear intention to build an internal proficiency, or Customer Data Capability, is the path to long-term competitive advantage. It won’t be easy—it will touch almost every part of the enterprise and will require new ways of thinking and working to truly deliver value.

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

1. Have you obtained executive buy-in, and will the initiative be supported top down?
2. Do you have the right skills in the organization, or can you build them?
3. Do you have the right structure and KPIs to empower a customer-centric organization?
4. How will you secure organizational buy-in that supports adoption of the new capability?

Conclusion

The CDP category set out with the intent to centralize data from multiple sources and create a persistent and unified customer database, helping marketers optimize the timing and targeting of their messaging.
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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