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The Capabilities CDPs Need To Deliver Value For B2C Marketers

by Joe Stanhope and Stephanie Liu
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Why Read This Report

The customer data platform (CDP) market continues to evolve, with one notable shift in the last year: Established marketing technology (martech) vendors, such as Adobe, Oracle, and Salesforce, have entered the fray. This report outlines the state of the CDP market today and the critical capabilities that CDPs must develop to meet the current and future needs of enterprise B2C marketers.

Key Takeaways

As Marketers' Options Multiply, CDPs Face More Competition
Many B2C marketers have moved beyond debating CDP A versus CDP B. Instead, they're weighing whether to buy a CDP, upgrade an existing marketing cloud implementation, or build a solution in-house.

B2C CDPs Need Functional Competency Plus Automation And Intelligence Capabilities
To remain competitive in this complex marketplace, CDPs must deliver clear value to B2C marketers. They need to achieve functional competency and extend their automation and intelligence capabilities to drive better business outcomes for marketers.

Marketers, Evaluate CDPs With A Future Roadmap In Mind
To find a CDP that will grow alongside a marketer's use cases and business needs, marketers must carefully consider CDPs' vision and health as a business. B2C marketers should also evaluate their internal readiness for a CDP, such as whether they have a unified omnichannel marketing strategy and a foundational data management strategy.

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The Plot Thickens: Marketing Clouds Enter The CDP Scene

Since our last report on CDPs for B2C marketers, there's been a seismic shift in the market: Established, enterprise vendors have entered the fray. The mere presence of marketing clouds in this market signals a major change. And it's a positive one; it validates the marketing challenge and opportunity that revolve around leveraging enterprise and consumer data to deliver more compelling customer engagement. For example, 42% of enterprise martech users say understanding customer behavior across channels and devices will be a major challenge in the next two years.[1]

Adobe Experience Platform was the first to enter this scene, with its real-time CDP becoming generally available in November.[2] Oracle is currently piloting its CX Unity product.[3] Salesforce has announced Customer 360 Truth, a data management offering to be released in 2020.[4] And Microsoft unveiled a CDP vision for its Dynamics 365 Customer Insights product in November.[5]

Other CDPs Aren't The Competition; It's Building In-House Or Using Existing Tools

B2C marketers have a decision to make: Build a solution in-house, work with your marketing cloud vendor of choice, or consider standalone CDP vendors. Regardless of which path marketers ultimately take, they must factor their existing tech stack into their decision. Acxiom CTO Chris Lanaux explains: "Marketers have made a lot of legacy investments. They won't replace or disrupt those investments, so how do you integrate new tools into the stack and not endanger the things that are working?" As marketers weigh their options, they must consider:

> **How a CDP integrates into their architecture.** CDPs, at their core, serve as waypoints for data. To serve any function, they must integrate with marketers' existing infrastructure, which means marketers cannot look at CDPs in isolation. Marketers should evaluate whether a CDP is capable of ingesting data from the right sources and tools, connecting to the systems of insight and engagement, and storing data in a way that serves marketing use cases. One vendor's product marketing manager says marketers should ask themselves: "Is a CDP making your life easier? Or are you adding a third arm that will actually take more work to create processes to get access to data?"

> **Whether it makes more sense to build, buy, or upgrade.** Enterprise marketers have many resources available — they can buy a CDP, upgrade existing martech implementations, or build a solution in-house. Firms with resources to build solutions need to calculate the costs and benefits of buying a CDP. A technical director at a consumer packaged goods (CPG) company explained, "I haven't seen CDP functionality that we can't deliver in a robust data lake or that the CDP can do better than us." Enterprise marketing clouds share a similar sentiment, as their CDP products have been developed organically rather than through acquisitions.

> **The opportunity cost of their decision.** Marketers have already made considerable investments in technology — and with these investments comes maintenance, upgrades, etc. CDPs are expensive, often spiraling into six figures, with costs that typically grow in tandem with more profiles or activation points. It's difficult to justify the outsized cost of a CDP when it abstracts data and duplicates or poorly mimics existing capabilities. And firms must be careful that they

aren't buying a CDP to treat symptoms of other problems when they could invest in resolving core challenges or upgrading strategic capabilities. One marketer explains, "We couldn't make the case for a CDP. They're too expensive and the pricing model doesn't fit into our budgeting. If I've already built a stack, I'm better off spending that money on more customer treatments."

› **The state of their data readiness.** CDPs need sources of data that they can subsequently ingest, so marketers need to map out their internal requirements for standing up a CDP. CDPs are not data management systems and therefore are only as effective as the data that goes into them. A business intelligence lead at one firm explains how his CDP implementation grew into a much larger project: "We started out preparing feeds into the CDP, and that evolved into a conversation about how we architect customer data internally." His team is rebuilding some of its databases as part of this exercise. "You have to have your data fundamentals squared away before you can layer on a CDP," he said.

B2C CDPs Must Redefine How Data And Orchestration Connect

When Forrester first published its definition of customer data platforms, the description focused on the lowest common denominator to accommodate the broad range of vendors operating under the CDP banner: A CDP centralizes customer data from multiple sources and makes it available to systems of insight and engagement.[6]

As the market evolves, this participation trophy approach doesn't hold up. Shifting martech features and functionality from one bucket to another won't help marketers execute their customer engagement strategies. They need more than a new acronym. Instead, to thrive, CDPs must truly progress beyond the status quo. As one vendor cautioned, "There is no market for a CDP for CDP's sake." CDP vendors have two axes through which they must mature: functional competency and automation and intelligence (see Figure 1).[7]

FIGURE 1 CDPs Must Mature On Two Axes To Deliver Value To B2C Marketers
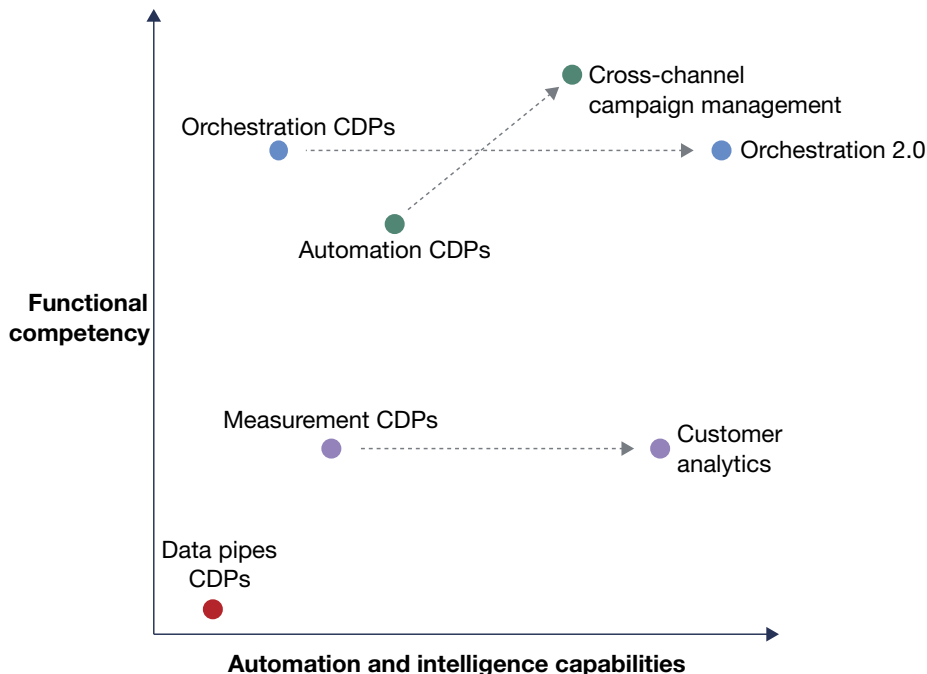
Game Changer 1: Functional Competency

To justify their existence, CDPs must develop the ability to execute on core functions at a level that is comparable to or better than currently available marketing tools. These core functions include: 1) ingesting and storing data; 2) data management, enhancement, hygiene, and identity resolution, either natively or through partnerships; 3) constructing, progressively maintaining, and providing real-time access to customer profiles; and 4) omnichannel orchestration that incorporates targeting, interaction design, and offer management across channels. For CDPs to move past being middleware, they must:

› **Serve a purpose beyond centralizing data.** CDPs are sometimes criticized as being customer relationship management (CRM) systems with better product marketing. CDPs need to find a niche that doesn't revolve around data storage, which buyers recognize isn't as simple as it sounds. Says one CDP vendor, "We don't think the world needs another system to store customer data. The data pipes are important, but to what end?" One data scientist summarized his frustration with his CDP vendor evaluation: "We have a data lake internally, and when it comes to using a vendor on top of that, [the CDP I'm evaluating] can't articulate the real value add."

› **Span the entire customer journey.** Marketers who ask Forrester about CDPs or are actively evaluating CDPs typically have multichannel use cases. CDPs often promise cross-channel capabilities, yet the majority of use cases in practice revolve around email marketing. Marketers

need more than incrementally better email execution. Instead, they are seeking tools to support their omnichannel vision supported by a layer of customer understanding. They want to connect dynamic onsite personalization, email triggers, and call center scripts. One CDP vendor explains, "You need a purpose-built platform that integrates, understands, decides, engages, and analyzes from day one."

› **Connect the ecosystem.** A CDP could deliver value by acting as the glue that connects to the broader technology ecosystem. As marketers seek to transform their marketing from campaign-oriented to moments-based, a CDP could help stitch together disparate systems for true channel-agnostic, moments-based orchestration and build links between acquisition and customer marketing.[8] A recent survey found 58% of enterprise martech users say integrating marketing and advertising technologies is a priority.[9] CDPs have an opportunity to align with one of marketers' top priorities, assuming they learn the nuances of advertising technology (adtech), martech, and key privacy restrictions.[10]

Game Changer 2: Automation And Intelligence

The second axis on which CDPs can mature is automation and intelligence. CDPs must do more than consolidate tactical execution to deliver long-term value. They need to make marketers faster and smarter. Extending baseline CDP functionality with an intelligence layer has been a key design tenet for marketing cloud vendors entering the CDP market.[11] Several standalone CDPs today attempt to support data science and analytics teams at a rudimentary level, for example by integrating Jupyter notebooks into their platform, while others are prioritizing filling the gap as signaled by Amperity's recent acquisition of Custora.[12] For a CDP to add value on top of enterprise marketers' existing tech stacks, they must:

› **Have an AI foundation.** Instead of current bring-your-own-algorithm approaches, CDPs can add value by delivering advanced algorithmic support to marketers for tasks such as calculating the next best experience.[13] But to thrive, these capabilities need to be better than the predictive functions at marketers' disposal today. Acxiom's Lanaux acknowledges, "CDPs aren't there yet. But we know true omnichannel orchestration and borderless conversation will require a high degree of AI, and that AI will have to be fed by something. We're in the early days of assessing how a CDP could fit that need."

› **Automate decisioning and orchestration.** Marketers consistently tell us CDPs disappoint in their real-time capabilities. CDP customers explain that their CDPs are batch-based, and real-time capabilities are relegated to being a line item in an implementation roadmap. Batch data and profile updates fly in the face of consumers' expectations for moments-based engagement, and it is critical to CDPs' survival that they address this shortcoming. Some vendors outside the CDP market, such as Albert and Tinyclues, are making headway with AI-driven, real-time segment discovery, decisioning, and automated execution.

› **Become a true open platform.** To fit into complex martech stacks and ensure long-term relevance, CDPs must future-proof themselves by becoming flexible, agile platforms that can evolve and change alongside marketers' requirements. CDPs can grow with marketers if they add capabilities such as support for external models and algorithms, extensibility for custom application development, APIs for all orchestration and data distribution functions, direct query services to the database, and reusable and shareable code. CDPs also need advanced features such as role-based access for all data, features, and objects in the system.

If You Insist On Using A CDP Now, Here's What You Should Know

CDPs have convincing elevator pitches about enabling advanced personalization and supporting quality customer engagement. But for marketers looking to implement a CDP today, be prepared for a difficult road ahead. One CDP vendor warns, "Your first encounter with a CDP may make it seem pretty, easy, and fast. But the real difficulties are deep — data management, identity resolution, and real-time decisions. If you don't address them early, you'll discover the gaps two, three, or six months from now."

To prevent future headaches, marketers need to prepare for how CDPs will fundamentally change their workflows and how they access data and connect that data to engagement tools. Putting the CDP at the center of decisioning breaks down silos and fundamentally changes brands' customer engagement strategies. Before implementing a CDP, marketers need:

› **A unified omnichannel marketing strategy.** A tool that pushes segments to different execution tools is useless without a proper strategy as a foundation. Marketers must build a strategy for moments-based marketing that factors in their customers' needs and their business goals. Use an engagement strategy to guide a CDP evaluation and build a short list of potential vendors. Kelly Jo Sands, chief CRM and martech officer at Ansira, advises, "We feel like the tech stacks we've built with our clients have activation covered. Some CDPs that do activation with a marketer-friendly interface are almost *too* simple for our clients' complex use cases."

› **Organizational coordination.** One of CDPs' value propositions is their ability to break down data silos and coordinate data from multiple sources. While that's admirable, it also creates a need for cross-departmental coordination and updated campaign processes to plug a CDP into the workflow. Which data source will serve as the so-called master record of a customer? How will marketers use data that they previously didn't have access to? Who will be in charge of syncing the CDP and the original data source? Companies should have frank conversations about data ownership and maintenance to avoid surprise hurdles down the line.

› **A data management strategy.** Marketers hoping to pass the data strategy buck to a CDP will be sorely disappointed. CDPs are heavily reliant on the ingestion of high quality data, and marketers must ensure they have the data management, hygiene, and enhancement as well as identity resolution to effectively connect data streams for profile building. As one martech vendor explains:

"A CDP needs to have a foundation based on a customer data strategy. It's important to be very clear about what business outcomes you're trying to solve and how to prioritize and make choices about business needs and business strategy."

Recommendations

Evaluate B2C CDPs With A Future-Looking Lens

The CDP market continues to be a confusing and convoluted one. And the vendors in this market can be their own worst enemies — when asked to define a CDP, one vendor took 15 minutes to stumble through a nebulous definition. B2C marketers are understandably intrigued by what CDPs offer today and should be monitoring this technology category. But to find a CDP that will meet not just current needs but also future ones, marketers must proceed with caution and seek CDPs that can deliver stronger capabilities than the tools they already have. Marketers:

› **Identify what business goal you want a CDP to solve.** Marketers must identify a CDP use case that extends beyond unifying data. Instead, data unification should be a means to an end; otherwise, the value of having a CDP becomes extremely difficult to convey. One CDP company cautioned, "We see a high rate of failure with CDP projects when the goal is to get your data together. Having a goal of getting data together doesn't enable business success or marketing results."

› **Heavily weight a CDP's vision and ability to execute on that vision in your evaluation.** CDPs live in a volatile market. Carefully evaluate the vision each CDP vendor presents to help find a partner that will survive long enough to meet your needs. Most CDPs interviewed for this report have the same general opinion — to survive and thrive, CDPs need to connect data and analytics to activation. But very few shared concrete plans and commitments to make this goal a reality. Look for CDPs that have an exit strategy for when the hype fizzles.

› **Evaluate the CDP as a business in addition to examining functionality.** Use a rigorous set of criteria to identify a CDP that will be a partner that aligns with your long-term customer engagement strategy. For example, is the CDP prioritizing the right data ingestion and activation integrations? Does its partner ecosystem include the tools in your stack and demonstrate familiarity with the enterprise martech ecosystem? Does it have a roadmap for support, delivery, and feature enhancements? Finally, examine the health of the company. Consider its funding model, experience in the marketing business, and maturity of its data infrastructure and security.

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Supplemental Material

Survey Methodologies

Forrester's Q3 2019 Enterprise Marketing Software Suites Forrester Wave™ Customer Reference Survey was fielded to 19 customer references provided to us by the vendors represented in this study. Forrester fielded the survey in July 2019. The respondent's incentive included a complimentary copy of this report at the time of publication. Exact sample sizes are provided in this report on a question-by-question basis.

Forrester's Q4 2019 Cross-Channel Campaign Management (Independent Platforms) Forrester Wave™ Customer Reference Survey was fielded to 26 customer references provided to us by the vendors represented in this study. Forrester fielded the survey from August to September 2019. The respondent's incentive included a complimentary copy of this report at the time of publication. Exact sample sizes are provided in this report on a question-by-question basis.

Forrester's Q3 2019 Cross-Channel Campaign Management (EMSS Modules) Forrester Wave™ Customer Reference Survey was fielded to 22 customer references provided to us by the vendors represented in this study. Forrester fielded the survey in July 2019. Exact sample sizes are provided in this report on a question-by-question basis.

These surveys used a self-selected group of respondents with knowledge of cross-channel campaign management and enterprise marketing software suites and is therefore not random. This data is not guaranteed to be representative of the population, and, unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

Companies Interviewed For This Report

We would like to thank the individuals from the following companies who generously gave their time during the research for this report. We also interviewed customers and partners who wish to remain anonymous.

Acxiom	Lytics
Adobe	McKinsey Digital
AgilOne	Optimove
Ansira	RedPoint Global
Evergage	Salesforce

Endnotes

[1] Source: Forrester's Q3 2019 Enterprise Marketing Software Suites Forrester Wave™ Customer Reference Survey, Forrester's Q4 2019 Cross-Channel Campaign Management (Independent Platforms) Forrester Wave™ Customer Reference Survey, and Forrester's Q3 2019 Cross-Channel Campaign Management (EMSS Modules) Forrester Wave™ Customer Reference Survey. See the Forrester report "Forrester Infographic: The State Of Enterprise Marketing Technology, 2020."

[2] Source: "Media Alert: New Adobe Experience Platform Innovations Power CXM," Adobe press release, November 14, 2019 (https://news.adobe.com/press-release/experience-cloud/media-alert-new-adobe-experience-platform-innovations-power-cxm).

[3] Source: "Oracle Helps Brands Eliminate Customer Blind Spots," Oracle press release, October 22, 2018 (https://www.oracle.com/corporate/pressrelease/oow18-oracle-cx-unity-102218.html).

[4] Source: "Salesforce Announces Customer 360 Truth—A Single Source of Truth for Every Customer Across the World's #1 CRM," Salesforce press release, November 19, 2019 (https://www.salesforce.com/company/news-press/press-releases/2019/11/191911-Salesforce-Customer360/).

[5] Source: James Phillips, "Our vision for the Microsoft customer data platform," Microsoft Dynamics 365 Blog, November 11, 2019 (https://cloudblogs.microsoft.com/dynamics365/bdm/2019/11/11/our-vision-for-the-microsoft-customer-data-platform/).

[6] See the Forrester report "For B2C Marketers, Customer Data Platforms Overpromise And Underdeliver."

7 For definitions on the four categories of CDPs, see the Forrester report "For B2C Marketers, Customer Data Platforms Overpromise And Underdeliver."

8 See the Forrester report "The Moments-Based Evolution Of Enterprise Marketing Technology."

9 Source: Forrester's Q3 2019 Enterprise Marketing Software Suites Forrester Wave™ Customer Reference Survey; Forrester's Q4 2019 Cross-Channel Campaign Management (Independent Platforms) Forrester Wave™ Customer Reference Survey; and Forrester's Q3 2019 Cross-Channel Campaign Management (EMSS Modules) Forrester Wave™ Customer Reference Survey. See the Forrester report "Forrester Infographic: The State Of Enterprise Marketing Technology, 2020."

10 Martech and adtech convergence will require organizations to consider their methods for data collection, management, and integration to identify, analyze, and activate audiences consistently. See the Forrester report "A More Perfect Union: Adtech And Martech Convergence Will Revolutionize Marketing."

11 Source: Joe Stanhope, "Marketing Cloud Vendors Pick Up Where CDPs Left Off," Forrester Blogs, April 11, 2019 (https://go.forrester.com/blogs/marketing-clouds-and-cdps/).

12 Source: Anthony Ha, "Amperity acquires Custora to improve its customer data platform," TechCrunch, November 6, 2019 (https://techcrunch.com/2019/11/05/amperity-acquires-custora/).

13 See the Forrester report "Come Together (Right Now) To Deliver The Next Best Experience."

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