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Calculating the ROI of a Customer Data Platform

The Best Ways for Martech Professionals
to Use a CDP to Drive Business Value

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Overview

Nearly 80 percent of U.S. consumers say they expect brands to show they "understand and care about me" before those consumers will consider making a purchase, according to a study by marketing agency Wunderman[1].

And 56 percent of consumers polled in that study say they're more loyal to brands that "get me" as a segment of one; in other words, businesses that show a deep understanding of their customers' preferences, needs, wants, and past purchases.

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Delivering on those expectations is a tall order for most martech and marketing professionals. Few have the ability to deliver truly personalized, relevant experiences that build customer engagement because what know they about customers — or what they can access when they need it — is limited. And fewer still can optimize customer engagement because they lack insight into the content and cadence that will resonate most with customers.

Think about your own access to the data you need to optimize customer engagement. You may, for example, have robust demographic and purchase data, but may lack the rich online behavioral data that reveals the probability of whether customers are likely to buy more, more frequently, or in other categories. Or perhaps you have all that data, but it lives in silos, so your frontline staff and engagement systems are limited in that they lack access to all of it to provide the most relevant interactions, offers, or communications at each customer's moments of truth.

Getting access to the data you need when you need it is easier, and more cost effective, than you might think. The solution? A customer data platform. A CDP is a marketing technology that enables brands to integrate all types and formats of customer data (batch and streaming) to build as complete a picture as possible of a customer or consumer — including behaviors, preferences, and transaction history as they move from anonymous-to-known states — to hyper-personalize cross-channel customer interactions in real time.

Leading enterprises already use CDPs to enable an always-on, always-processing golden record that provides a unified and complete view of the customer to anyone across the organization.

The solution?
A customer data platform.

A CDP is an enterprise solution that helps you…

- Bring data together from across your organization;

- Know all that is knowable about your customers;

- Deliver relevant, personalized offers whether customers are in your physical location, online, or on their mobile device; and,

- Recognize a customer across multiple channels and interaction touchpoints.

Simply put, using a CDP to connect your data helps you achieve the highly coveted single, continuously updated view of the customer. The latter aspect is especially important today, as it allows marketers to keep pace with their swiftly moving customers, find the optimal cadence of communications for each, and present those communications in the most contextually relevant way.

A CDP supports progressive profiling and creates persistent yet privacy-compliant customer records that are accessible throughout the enterprise when needed. Although there should be a single point of control for the CDP's data, which may best reside with marketing, data flowing into it and users accessing it can and should come from across the organization to ensure the best customer experience — as well as the best ROI. Indeed, taking "ownership" of your customer data provides you with the control and access needed to innovate your customer experience and grow revenue while simultaneously lowering costs.

There are four primary ways marketers and martech professionals can use a CDP to drive immediate and long-term business value:

1

Innovation

Increased market value through breakthrough innovations

2

Revenue Lift

Increased revenue through improved customer experience

3

Operational Effectiveness and Efficiency

Decreased costs through improved operations and customer understanding

4

Risk Avoidance

Decreased risk through a holistic view of data

Customer Data Platform Model

Innovation

Increased Market Value through Breakthrough Innovation

- Breakthrough performance gains from machine learning and AI
- Increased differentiation from customer experience
- New product and service offerings launched

+ Revenue Lift

Increased Revenue through Improved Customer Experience

- Improved revenue per customer through intelligent cross-sell/up-sell
- Improved customer retention through frictionless experience
- Improved customer acquisition through relevant targeting

+ Operational Effectiveness & Efficiency

Decreased Cost through Improved Operations

- Lower customer fatigue, churn, and service costs
- Shift in mix to lower-cost channels
- Reduced number of customer interactions required to drive results
- Higher resource utilization – higher revenue without having to add incremental marketing, IT, or data science resources

+ Risk Avoidance

Decreased Risk through Holistic View of Data

- Improved compliance through strong closed-loop process, e.g., for GDPR
- Lower costs of maintaining customer data through streamlined MDM
- Improved data quality
- Improved cross-team collaboration

- Direct Costs

Costs to implement and run onging CDP

- CDP software license
- Professional services and training
- Infrastructure (cloud or internal IT services to run the CDP)
- Support, maintenance, and data enrichment

Return on Investment

Let's take a closer look at each.

1

Innovation –

Increased Market Value through Breakthrough Innovations

Breakthrough performance gains from machine learning and AI

Increased differentiation from customer experience

New product and service offerings launched

Customer data platforms help you access and use the data that can lead to breakthrough innovation.

A CDP ingests all sources and types of enterprise customer data — whether batch or streaming, internal or external, structured or unstructured, transactional or demographic — to provide an always-on, always-updating unified view of each customer. That golden record is continually available at low latency to all touchpoints and users across an enterprise in real time.

This immediate access to robust data lays the foundation for achieving performance gains from AI and machine learning, differentiating through customer experience, and launching new products and services.

Consider such innovative tactics as advanced real-time personalization and next best action recommendations. These require machine learning to tap into real-time insights that become triggers for contextually relevant communications at scale. These on-target communications not only engage consumers, they also drive business. A relevant, high-impact recommendation is up to 50 times more likely to trigger a purchase than one that's low impact, according to research from McKinsey[ii].

These communications become one element of a unique and captivating customer experience — one that drives sales.
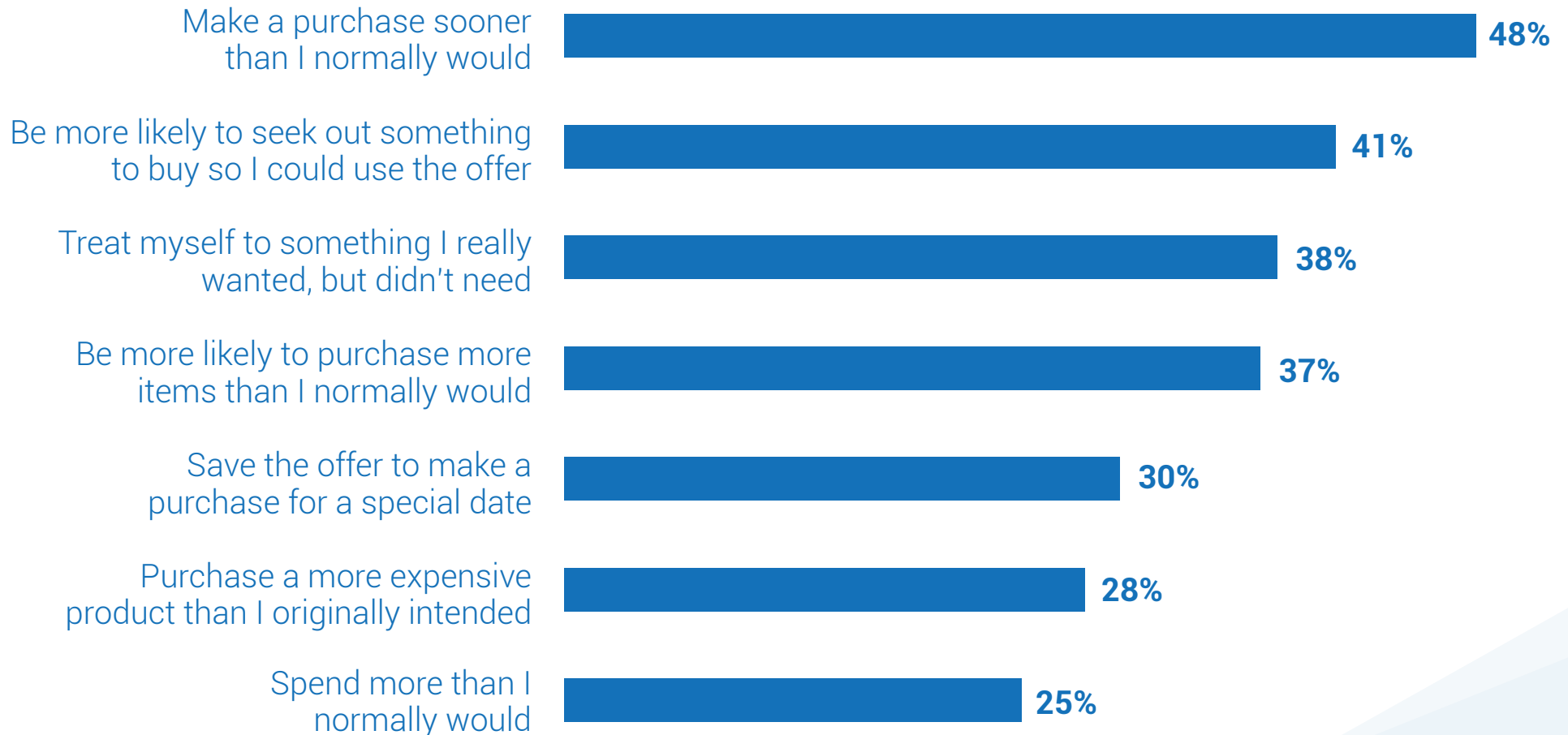
A survey of U.S. internet users by consultancy Kelton Global and verification services firm SheerID found that

94 percent of respondents would take advantage of an offer that wasn't made generally available.

And more than two thirds of those polled said that an offer specifically for them is more important than a promotion sent to everyone[iii].

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Ways in Which U.S. Internet Users Would Use a Brand's Exclusive Offer, April 2018

Percent of respondents

Make a purchase sooner than I normally would	48%
Be more likely to seek out something to buy so I could use the offer	41%
Treat myself to something I really wanted, but didn't need	38%
Be more likely to purchase more items than I normally would	37%
Save the offer to make a purchase for a special date	30%
Purchase a more expensive product than I originally intended	28%
Spend more than I normally would	25%

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Note: ages 18+; among the 94 percent of respondents who would use a brand's exclusive offer that the brand would not typically offer to the general public

Source: Kelton, "Privacy, Personalization and Promotions" prepared for SheenD, May 14, 2018

Additionally, using a CDP to track customers' behavior and better understand their preferences helps uncover needs that you can launch new products or services to address. These innovations show customers that you're listening to them and responding to even their unstated needs, which, in turn, further improves the customer experience.

But it is extremely difficult to keep pace with these consumer needs without having high-quality, current customer data. Fortunately, by pulling data from key systems across an organization, CDPs produce and maintain robust, up-to-date customer records.

Rich, clean, real-time data is like high-octane fuel for AI and machine learning – essential sources of data for innovation today. Both require precise data to perform at optimal levels and deliver analyses that can lead to innovations in marketing, sales, service, and more. There's a reason for the adage, "garbage in, garbage out." In fact, about 25 percent of IT executives say their business lost 10 to 19 percent of its value due to poor data quality, according to a study by industry analyst firm 451 Group for data quality management vendor Blazent[iv]. Nearly 39 percent of those polled say poor data quality results in bad decision making, and 35 percent say it causes customer dissatisfaction.

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Conversely, more than half of respondents say they attribute revenue growth to high data quality, and 25 percent agree that it allows them to make decisions faster — which is essential for marketers trying to operate at the speed of today's consumer.

Data hygiene drives better analytics results, which leads to better decision making and greater business performance. CDPs help to maintain data quality. In doing so, they also help marketing and other customer-facing teams get the clean, comprehensive data they need to use AI and machine learning to drive more contextually relevant interactions in cadence with the customer, deliver more engaging customer experiences, and uncover customer needs to launch new and profitable products and services.

2

Revenue Lift –

Increased Revenue through Improved Customer Experience

Improved revenue per customer through intelligent cross-sell/up-sell

Improved customer retention through frictionless experience

Improved customer acquisition through relevant targeting

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The beauty of customer data is that beyond its strategic value in fueling innovation, it's actually a profitable asset.

Companies monetize those customer data assets directly (e.g., selling customer data to partners) and indirectly (e.g., creating new products based on findings from customer data). Monetizing data is a huge opportunity: In 2013, PwC's Strategy& unit estimated that the revenue from commercializing data would grow to $300 billion per year by 2018 — in the financial sector alone[v].

Getting the most value from your customer data doesn't mean selling it. Companies considered leaders in data-driven marketing, according to a study by Forbes Insights and Turn, are about six times more likely than laggards to achieve a competitive advantage in increasing profitability and five times more likely to do so in customer retention[vi].

Marketing professionals who use a CDP have easier access to more robust, timely data than their peers who don't use one. Which means that they're more likely than those peers to improve revenue per customer, as well as increase retention and acquisition rates.

Using a CDP, you can perform advanced predictive modeling, as well as enhance your customer data with information such as propensity scores to help determine customer intent and anticipate needs and preferences. This enables tactics such as next best action and customer journey management. Additionally, you can use data from your CDP to support decision management; for example, by presenting personalized, relevant communications and recommendations for the content and offers most likely to convert.

The results of using a CDP to support your data-driven marketing efforts are numerous and invaluable. They include increasing upsell and cross-sell, wallet share, average order dollar value, purchase frequency, and customer lifetime value. You can potentially achieve all this because, with a CDP, you have unfettered access to customer data in real time. Data from several studies show potential sales and revenue lifts of about 15 to 19 percent by using data-driven personalization.

The results of using a CDP to support your data-driven marketing efforts are numerous and invaluable.

But the advantages from advanced data-driven marketing don't stop at revenue growth. They also include speed to value.

According to Boston Consulting Group,

"brands that create personalized experiences by integrating advanced digital technologies and proprietary data for customers" see revenue increase by six to ten percent, at a remarkable rate of two to three times faster than those that don't[vii].

3

Operational Effectiveness & Efficiency –

Decreased Costs through Improved Operations

Lower customer fatigue, churn, and service costs

Shift in mix to lower-cost channels

Reduced number of customer interactions required to drive results

Higher resource utilization – higher revenue without having to add incremental marketing, IT, or data science resources

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A customer data platform helps you drive growth by monetizing your customer data, *and* it helps you save money.

The insights you can pull from a CDP to personalize customer interactions and communications will allow you to optimize campaign performance and omnichannel marketing, which will reduce the costs of customer interactions. In fact, marketers who use personalization can reduce their acquisition costs by as much as 50 percent and can increase the efficiency of their marketing spend by 10 to 30 percent, according to *Harvard Business Review*[viii].

Using a CDP to get a clearer understanding of customers' channel and interaction preferences — and using that insight to further personalize the customer experience — will enable you to reduce the number of customer interactions required to drive results. Further, by using a CDP to access cross-channel data integrated at the customer level, you can vastly improve attribution. By assigning truer values to your various marketing activities across channels, you'll be able to better assess channel performance and then shift those activities, and budget, to more effective and cost-effective channels.

Additionally, by using data-driven marketing techniques such as advanced matching and house-holding, it's possible to achieve exceptional results; for example, reducing physical direct mail budgets by 20 percent on average by putting an end to over-mailing.

Optimizing omnichannel marketing can help reduce costs in other ways. For instance, using CDPs to support dynamic customer journeys provides a better customer experience by allowing you to respond to customers in their moment of truth, no matter where they are. As a result, customers are more likely to convert. The ability to be wherever customers are as they consider a purchase is essential today. According to McKinsey, 50 percent of customer interactions today happen during a multichannel, multi-event journey[ix].

Overall, using a CDP to support personalized marketing can lead to double-digital savings. According to McKinsey, data-driven personalization generates a marketing-budget savings of 30 percent.

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One company seeing savings through personalized marketing is Xanterra Travel Collection. It drove revenue higher while achieving a 40 percent reduction in its marketing costs through personalization. Xanterra consolidated the data from across its properties and systems — more than 100 sources of customer data, including transactional and management systems each with unique characteristics and complexities — to create rich 360-degree profiles for nearly all of its customers and prospects. Xanterra used the RedPoint Global platform to identify seven key customer segments, craft detailed personas and journey maps for each, and use them to deliver personalized communications at scale — throughout the entire customer lifecycle. Along with the marketing-budget savings Xanterra has gained, it also sees improvements in marketing performance that routinely reach over 100 percent growth.

Xanterra Travel Collection drove revenue higher while achieving a 40 percent reduction in its marketing costs through personalization.
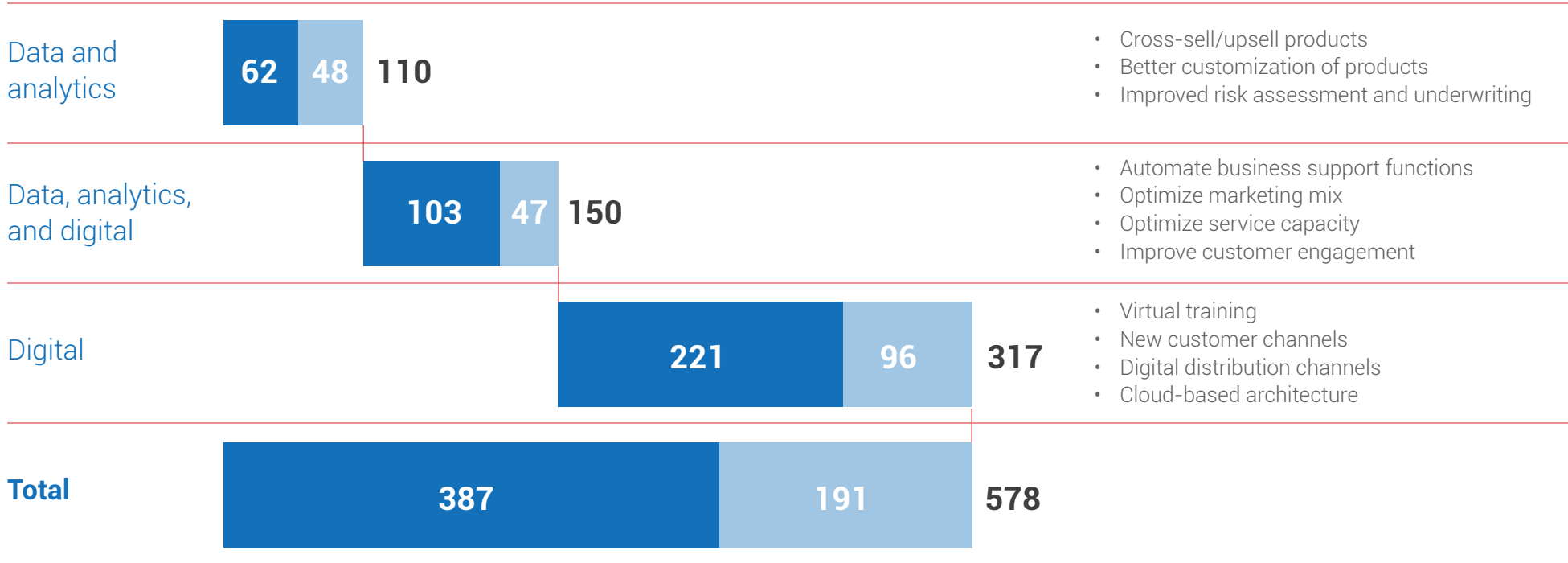
Industry watchers expect whole industries to achieve both savings and revenue growth from advanced analytics. Consider these predictions about the retail banking industry from McKinsey[x]:

A data-driven transformation of the retail banking industry could generate roughly $400 billion to $600 billion in economic impact.

Economic Impact
$ billion

■ Developed economies   ■ Developing economies

Levers

Data and analytics

62 | 48 | **110**

- Cross-sell/upsell products
- Better customization of products
- Improved risk assessment and underwriting

Data, analytics, and digital

103 | 47 | **150**

- Automate business support functions
- Optimize marketing mix
- Optimize service capacity
- Improve customer engagement

Digital

221 | 96 | **317**

- Virtual training
- New customer channels
- Digital distribution channels
- Cloud-based architecture

Total

387 | 191 | **578**

Note: Revenue- and cost-saving levers are separated into three categories based on the size of the role analytics will play. See appendix levers. Numbers may not sum to rounding.

Source: McKinsey DIgital and Financial Services Practice, McKinsey Panorama global banking database; McKinsey Advanced Analytics Practices, McKinsey Global Institute analytics

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4

Risk Avoidance –
Decreased Risk through Holistic View of Data

Improved compliance through strong closed-loop process, e.g., for GDPR

Lower costs of maintaining customer data through streamlined MDM

Improved data quality

Improved cross-team collaboration

Data access helps us to transform our businesses, innovate, and reach new levels of marketing performance.

That access also comes with its share of risks. Those risks include privacy, data quality, and fragmented silos. Using a CDP can help you lessen these risks. The key reason: CDPs connect all types and sources of customer data in real time, which enables a unified customer view accessible across the enterprise. This level of data access lessens risk, helping you to guard against privacy and quality issues. It also serves as a bridge across data silos, which encourages data sharing and collaboration that ultimately reduces risks associated with fragmented data views.

One of the biggest concerns in terms of managing customer data is compliance risks. A CDP can lower these risks by helping you achieve compliance with regulations and industry mandates such as GDPR, HIPAA, PCI, and GLBA that focus on personally identifiable data.

Linking your CDP to a customer preference center is one element of lessening compliance risks. Providing a consent-based preference center for individuals allows them to select the exact ways they want their data processed or forgotten. It should also enable them to set their preferences for communication across all interaction points along the customer journey. Along with reducing compliance risks, this approach will ensure that you're delivering an excellent customer experience and that consumers don't opt out of your communications.

A CDP can also lower costs and lessen the efforts of maintaining customer data. For example, using a CDP to automate data processes, Xanterra Travel Collection reduced the number of hours required to prep data by 80 percent. That efficiency allows Xanterra to get new communications and offers in market faster while enabling its data scientists and marketers to focus on higher-value activities.

Overall, using a CDP to support personalized marketing can lead to double-digital savings. According to McKinsey, data-driven personalization generates a marketing-budget savings of 30 percent.

CDPs help to guard against data quality issues, as well. A CDP creates a singular, accurate, and continuously updated view of each customer (i.e., golden record) through probabilistic and deterministic matching algorithms that is then maintained with a persistent key. Not only does this solve customer identity challenges, but it also will quickly surface any data quality issues. At a time when most data scientists spend 50 to 80 percent of their time prepping data, according to estimates by *The New York Times*[xi], maintaining data quality to cut that prep time is more important than ever. And, as it turns out, is profitable: Research from Dun & Bradstreet and NetProspex shows that companies that regularly maintain their database can see 66 percent higher conversion rates than those that don't[xii].

Companies that regularly maintain their database can see 66 percent higher conversion rates than those that don't.

Conclusion

As an enterprise solution, a CDP can help you bring data together from across your organization, allowing you to know all that is knowable about your customers. This enables you to deliver relevant, personalized offers whether customers are in your physical location, online, or on their mobile device and to recognize a customer across multiple channels and interaction touchpoints.

Further, CDPs can help you drive immediate and long-term business value in four primary ways:

- **Innovation –** Increased market value through breakthrough innovations
- **Revenue Lift –** Increased revenue through improved customer experience
- **Operational Effectiveness and Efficiency –** Decreased costs through improved operations and customer understanding
- **Risk Avoidance –** Decreased risk through a holistic view of data

If you subtract the direct costs of implementing and running a CDP from the revenue growth and cost reductions you'll incur from using one, you clearly see the return on investment. Costs to consider include:

- CDP Software License
- Professional Services and Training
- Infrastructure (Cloud or internal IT services to run the CDP)
- Support, Maintenance and Data Enhancement

An encouraging sign with overall costs is that software innovations are driving professional services and infrastructure costs down as they become more efficient. In turn, the overall ROI model for a robust CDP solution is compelling.

The cost of not using a CDP? Missed opportunities, less efficiency, and higher risk. Consider that personalization levels like those marketers are able to deliver by using a CDP can deliver five to eight times the ROI on marketing spend, and can lift sales by 10 percent or more, according to *Harvard Business Review*[xiii]. The reason for those gains is simple: Customers want and expect personalization and become higher-value customers when they get it. Customers who are fully engaged deliver a 23 percent premium over other customers in terms of wallet share, profitability, revenue, and relationship growth, according to Gallup[xiv].

Customers want
and expect
personalization

In fact, "radical" personalization may be what customers expect in the not-too-distant future, research from McKinsey suggests[xv]:

Radical personalization will be disruptive in areas where tailoring offerings to personal preferences and characteristics is highly valued

Analytics will enable individually tailored products and services in these industries

Matching complexity

Data and analytics enablers

- Granular data enables finer levels of distinctions among individuals
- Outcome and response data allow businesses to estimate relationships between individual characteristics and improved value from customized goods/services

Industry preconditions

- The good or service has a differentiated value for each individual
- Mass customization creates possibility of meeting individual demands

Industry	Description
Healthcare	Tailoring interventions leads to precision wellness
Education	Individualized learning experiences based on existing skills, learning style, and interests
Labor market	Identifying an individual's skills and career goals to aid job matching and training
Travel and leisure	Customized travel experiences and recommendations
Media	Tailored and curated content
Retail	Shoppers directed to the right products for them at the right moment
Advertising	Ads targeted by time, location, and person to maximize potential sales

Matching an offer to an individual is difficult for any industry, yet some require more in-depth understanding for each consumer, including their intents.

Source: McKinsey Global Institute analytics

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65 percent of retailers polled claim that personalization is a top three priority.

Now is the time to start building coveted customer engagement — because not only will it deliver game-changing ROI, it also could give you more of a competitive advantage than you think. Although 43 percent of organizations claim to have a single view of the customer, a mere 12 percent say they've implemented the required technology, according to Econsultancy[xvi]. And, research from Periscope by McKinsey finds that while 65 percent of retailers polled claim that personalization is a top three priority, only 15 percent say they've fully implemented personalization, and just 43 percent claim they have personalization initiatives on their 2018 roadmap[xvii].

RedPoint's CDP solution is built to help you harness this opportunity with rapid speed-to-value, and to scale in a way that gets to the broadest and deepest enterprise use, all while delivering high value along the way. Our approach links your strategic business objectives to a targeted set of capabilities, use cases, value levers, and go-forward plans.

About RedPoint Global Inc.

RedPoint Global's software solutions empower brands to transform how customer experience is delivered. RedPoint Global's solutions provide a single point of control to connect all customer data, determine next best actions in real time, and orchestrate interactions across all enterprise touchpoints. Leading companies of all sizes trust RedPoint Global to deliver highly personalized and contextually relevant experiences that optimize customer engagement.

The RedPoint Customer Data Platform™ provides a single point of control over customer data, connecting all types and sources of customer data – first-, second-, and third-party, batch or streaming – in real time. The RedPoint Customer Data Platform makes the unified customer view accessible across the enterprise to drive more contextually relevant interactions in cadence with the customer.

For more information, visit www.redpointglobal.com or email contact.us@redpointglobal.com.

Connect with us

REDPOINT GLOBAL INC. 36 WASHINGTON ST., SUITE 120, WELLESLEY HILLS, MA 02481 USA
+1 781 725 0250 | www.redpointglobal.com

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