Questions to Ask When Selecting Your Customer Data Platform

Raab
associates, inc.

730 Yale Avenue
Swarthmore, PA 19081
www.raabassociatesinc.com
info@raabassociatesinc.com

Introduction

Marketers know they need better data about their customers. Assembling customer attributes and behaviors across channels leads to a complete picture that allows precisely targeted treatments, meeting customer expectations and dramatically improving business results.   As competitors improve their own data gathering capabilities, keeping pace is essential to continued success.
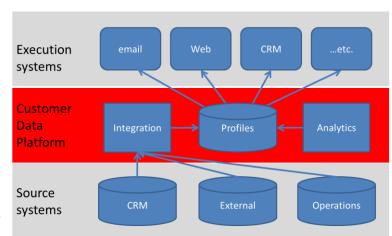
But assembling good data isn't easy. Traditionally, marketers have relied on technical experts to build a customer database and link it with customer management systems. This is time consuming, expensive, and inflexible.   The new database is often late, over budget, and obsolete on the day it's delivered.

Today there's a new option. Customer Data Platform (CDP) systems give marketers direct control over building their own database. This paper will help you understand whether you can use a CDP and how to choose the right one.

Customer Data Platform Defined

Raab Associates defines a CDP as a "marketer-controlled system that supports external marketing execution based on persistent, cross channel customer data."   Each term of this definition points to a specific advantage of the CDP over conventional alternatives.

- "marketer-controlled" means marketers need only minimal resources from their corporate IT department. Marketers do much of the system set-up and management for themselves and rely on vendor staff for the rest. Either way, they are in charge of the project.

- "supports external marketing execution" means the CDP connects with multiple channel systems that deliver customer treatments. This allows coordinated treatments without requiring the company to use a single product for all execution functions.   It means marketers are free to use the best execution system in each channel and to add new channels as they become important.

- "persistent, cross channel customer data" means the CDP assembles data from multiple sources, builds a unified profile for each customer, and stores it in a way that's easily accessible and can track changes over time.

Do You Need a CDP?

CDPs are not for everyone. Whether you need a CDP depends on your business situation. Let's go back to the three components of the CDP definition and see when they apply.

what CDPs do	applies if you	doesn't apply if you
build central customer database	• interact with customers through multiple systems in multiple channels • need to integrate customer data from multiple sources for better understanding, segmentation, and targeting • don't already have an adequate central database in place	• interact through a single execution system (could be multiple channels) • store all customer data within the execution system • accurately integrate customer data from different sources within the execution system • can easily extract data from the execution system database for reporting, analytics, etc.
support external marketing execution	• interact with customers in different channel systems • need to coordinate individual treatments through shared data, segmentation, predictive models, and decision rules • don't already have a shared treatment engine in place	• manage all interactions through a single execution system • support all present and future channels within the execution system • can adequately coordinate treatments across channels within the execution system
put marketers in control	• must adapt quickly to changes such as new channels, data sources, or customer behaviors • lack access to adequate IT and analytical resources	• are in a simple, stable environment where few changes are needed • control adequate IT and analytical resources to make needed changes

Many businesses will find a CDP makes sense. The exceptions are businesses that already have an adequate central customer database, or those that handle all customer contacts through a single execution system and don't expect that to change.

It's important to understand that the CDP alone is not a complete customer management system. It works in conjunction with execution systems such as email, marketing automation, Web content management, call centers, and point of sale. Those systems perform functions the CDP does not, including content creation, message delivery, and response capture. The CDP gives you a central database and shared analytics that the execution systems do not. You need both types of products.

Selecting the Right CDP

Once you've determined you need a CDP, you still need to pick the right one. A typical selection process would have the following steps:

- **Define your requirements.** This is the critical starting point. It means first determining the goals you want to meet with the system, such as running particular types of marketing campaigns or having available certain kinds of information. Then, you'll need to define the types of data and system functions needed to meet those goals.

- **Assess the vendors**. Many vendors offer at least some CDP functions. Narrow your search as efficiently as possible by identifying the key features you require and eliminating vendors that don't provide them all. Reports such as Raab Associates' Guide to Customer Data Platforms can help. Once you've constructed a manageably short list, dig into the details of each system. The next section of this report provides a set of questions that should help. You might structure your assessment process by embed these and similar questions within a formal Request for Proposal (see box at right).

> ### What's a Request for Proposal?
>
> A Request for Proposal (RFP) is a formal document used to get accurate, consistent proposals from vendors. The RFP presents your requirements and lets each vendor describe how they would fulfill them. A typical RFP contains:
>
> - instructions for response and project schedule
> - description of your company and this project, including details about goals, existing systems and data volumes
> - information requested from the vendor, including how it would meet specific requirements, pricing, and company background
>
> It's important for the RFP to provide enough information about your company for the vendor to tailor their response to your situation. So don't skimp on the middle section describing your company and project.

- **Make a selection.** Vendors' answers to your questions should give a good idea of which products are the strongest candidates. But you'll still want to be certain you understand what you're buying before you make a decision. We recommend that you construct scenarios for specific goals you have set for the system and have the vendor demonstrate how it would execute each scenario from start to finish. You

www.raabassociatesinc.com

may wish to go further and set up an actual trial implementation. Be sure to check references as well: in particular, try to find existing clients with implementations similar to the one you're planning. Once you've gathered all this information, you can make a sound choice, negotiate a suitable contract, and begin your deployment.

Questions to Ask

The questions you ask each vendor will be driven by your business requirements. To help you get started, we've listed some questions that most companies need answered. The questions fall into three broad categories: Will the CDP provide a complete and accurate picture of my customers? What kinds of segmentation and targeting will I get? Is this the right vendor for me?

Will the CDP provide a complete and accurate picture of my customers?

- **What channels are supported?** Different execution channels provide different types of data and require different types of output. Be sure the system can import data from the channels you use today and expect to use tomorrow and that it can feed data back to those channels in the formats they need.   Find out if connectors exist for the specific channel systems you have in place and, if not, what's involved in creating them.   If you'll need real-time interactions with a channel system, such as helping to personalize Web pages for individual visitors, ask specifically how this is accomplished.

- **What types of data are stored within the system?** Every system starts with customer profiles.   Most can also store transactions.   Systems designed for campaign management will store promotion history and responses. Some will capture different types of unstructured data, such as the contents of Web pages visited, topics covered in news articles, sentiments expressed in public comments, and structured information extracted from such sources.   Look for the ability to store and reconstruct data that may have changed over time, such as customer status.   Ask whether marketers can add new data types and sources for themselves.   If you sell to businesses, find out whether data is organized at the individual level, company level, or both.

- **Where does the system get its data?** One source is the client's own systems. These include marketing automation and CRM at a minimum and often extend to Web analytics, content repositories, order processing, accounting, and other operational sources. Some CDPs capture digital behaviors directly through their own tags on Web pages and emails.   Several scan public Web sites, social networks, and other sources for information that identifies companies and individuals who are likely to be good prospects for their clients. This sort of scanning often uses sophisticated natural language processing to extract meaning

        www.raabassociatesinc.com

from unstructured or semi-structured sources. Vendors may also load reference data about companies and individuals from compiled directories such as Dun & Bradstreet.

- **How does the system load its data?** Most products offer a combination of direct real-time loads via API calls and batch loads of files extracted from other systems. Real-time updates are essential if you want treatments in every execution system to reflect behaviors in all other channels. Be sure to find out if there are any limits to the volume of data that can be loaded, either in terms of response time (how many simultaneous interactions can the system handle?) or batch volume (will posting large files take many hours or incur high costs?)

- **Does the system provide data quality and enhancement?** It isn't enough to simply dump customer data into the system. Find out if the system can automatically cleanse entries (checking for standard formats, fixing misspelled names, and removing profanity), validate information (testing for valid email addresses and mailing addresses, check that the address is not registered as "do not mail" or that the owners have moved, and so on), append likely gender based on first name, geo-tag based on address, enhance consumer records with census data or cluster codes, and enhance business records with company size, industry, parent company, and so on.

- **How does the system link data that relates to the same customer**? Linking related records allows you to remove duplicates and to group members of the same consumer household or business. This is essential to building a complete profile and to prevent multiple offers to the same customer. Linking capabilities vary widely, from sophisticated "fuzzy matching" of similar name/address strings to simply using identifiers provided by your operational systems. CDPs may also use external reference data, such as directories of companies and lists of address changes. Ask how much control you'll have over matching and householding rules, but bear in mind that most vendors have more sophisticated approaches than users could create for themselves.

What kinds of segmentation and targeting will I get?

- **What kinds of statistical models can the system apply to customer data?** Models may predict response to a specified offer, recommend what information to present, classify customers into segments, or serve other goals. Systems vary in the types of models they build, the amount of human effort required to build them, whether the system provides its own model-building tools, and in reporting provided to explain model results. Ask whether the models are rules-based (requiring users to define them manually) or statistical (based on automated analysis such as clustering, collaborative filtering and propensity models). Rules-based models take much more time to research and configure and are often less

www.raabassociatesinc.com

accurate than statistical methods. Check whether the models are standard or custom and what results other businesses like yours have seen.

- **What kinds of analytical reporting and dashboards are available?** You'll want basic customer profiling, promotion analysis, and segmentation. Some systems offer polished dashboards to highlight trends and current activities. Look for data exploration features such as drill-downs and filters, custom reports in tables and cross-tabulations, data visualization, and trend analysis. Make sure you understand which data is available to the system's reporting tools and whether there are any limits on what can be extracted from the system for use by other tools.

- **Can the system decide which customer treatments to deliver, choosing from multiple alternatives**? Coordinating such treatments across channels is a fundamental reason for building an integrated customer management infrastructure. Most CDP systems provide some sort of treatment selection, but only a few allow detailed control over offer eligibility rules, ranking functions, campaign design, testing, simulation, and optimization. You may find it's better to attach your CDP to a separate, centralized decision management system if you need sophisticated functions from both. Explore both batch selection of outbound messages and individual selections during real-time interactions.

- **How does the system help to deliver customer treatments?** Some CDPs execute marketing treatments directly, most often by sending emails. But they primarily support external execution platforms by delivering data, scores, or decisions. They may do this on-demand via APIs, by allowing direct queries from external systems, or by sending file extracts. Beyond understanding capabilities, it's worth knowing which external systems are already integrated with a CDP and what functions those connectors support.

Is this the right vendor for me?

- **What's the underlying technology?** Technical information such as the type of database gives useful hints about likely strengths, weaknesses, and growth potential. You'll certainly want to know whether the system is offered as a vendor-operated service, as on-premise installed software, or both. Also ask about the scale and nature of existing deployments so you can judge whether your business is likely to make demands the vendor has not previously met.

- **What's involved in installing and running the system, and how long does it take?** By definition, CDPs are designed for non-technical users. But it's still important to understand how the system is set up, how long the initial deployment is likely to take, what's expected of the client and what the vendor will do for you, and what kinds of training and support are available. Judge the skill level and time

www.raabassociatesinc.com

commitment you'll need to operate the system on a day-to-day basis and to make occasional changes such as adding a new data source.

- **What help is provided to analyze data, segment customers, or run campaigns?** The services and resources included in the subscription or license fees vary greatly. Find out which services are available for free and which involve additional charges. Does the vendor provide predefined campaigns or a playbook of recommended actions? Are there ongoing training and tune-up sessions? How many hours or many sessions with a customer success representative are included? Are the customer service staff trained as engineers or marketers? How much experience do they have running campaigns like the ones you are planning?

- **What will the system cost?** Prices may be based on data volume, transactions, number of customers monitored, user count, or other dimensions. There may also be separate implementation, training, and support fees.   Get a detailed quote and be sure it's all-inclusive. Look at whether you'll need to sign a long-term contract, whether pricing is related to performance or value received, and what happens if service level guarantees are not met.

- **Who am I doing business with?** The background of a system's developer often gives hints about its suitability for particular purposes, degree of sophistication, scalability, growth path, and likelihood of long-term survival. Information about funding, number of clients, and time on the market also addresses these topics.

Question Summary

Here is a summary of the questions listed above. Use some or all of these in your own RFP.

Will the CDP provide a complete and accurate picture of my customers?
• What channels are supported?
• What types of data are stored within the system?
• Where does the system get its data?
• How does the system load its data?
• Does the system provide data quality and enhancement?
• How does the system link data that relates to the same customer?
What kinds of segmentation and targeting will I get?
• What kinds of statistical models can the system apply to customer data?
• What kinds of analytical reporting and dashboards are available?
• Can the system decide which customer treatments to deliver, choosing from

multiple alternatives?
• How does the system help to deliver customer treatments?
Is this the right vendor for me?
• What's the underlying technology?
• What's involved in installing and running the system, and how long does it take?
• What help is provided to analyze data, segment customers, or run campaigns?
• What will the system cost?
• Who am I doing business with?

Final Thoughts

Choosing a Customer Data Platform is a big decision, so it's important to select a system that will meet your needs. But don't let the project drag out endlessly. Many companies today have an urgent need for the better customer database that a CDP will provide. Conduct a careful selection process that ensures you have found a vendor who can meet your requirements. Then move quickly to deployment so you can begin to reap the benefits of better customer data management.

 www.raabassociatesinc.com

About Raab Associates Inc.

Raab Associates Inc. is a consultancy specializing in marketing technology and analytics. Typical engagements include business needs assessment, technology audits, vendor selection, results analysis, and dashboard development. The company also consults with industry vendors on products and marketing strategy. It publishes the Guide to Customer Data Platforms and B2B Marketing Automation Vendor Selection Tool (VEST).

Contact:
Raab Associates Inc.
730 Yale Avenue
Swarthmore, PA 19081
www.raabassociatesinc.com
info@raabassociatesinc.com