**Deloitte.**
Digital

# Bridge the customer data divide with a dual-zone CDP.

How brands are harnessing the power of customer data to drive hyper-personalized customer experiences.

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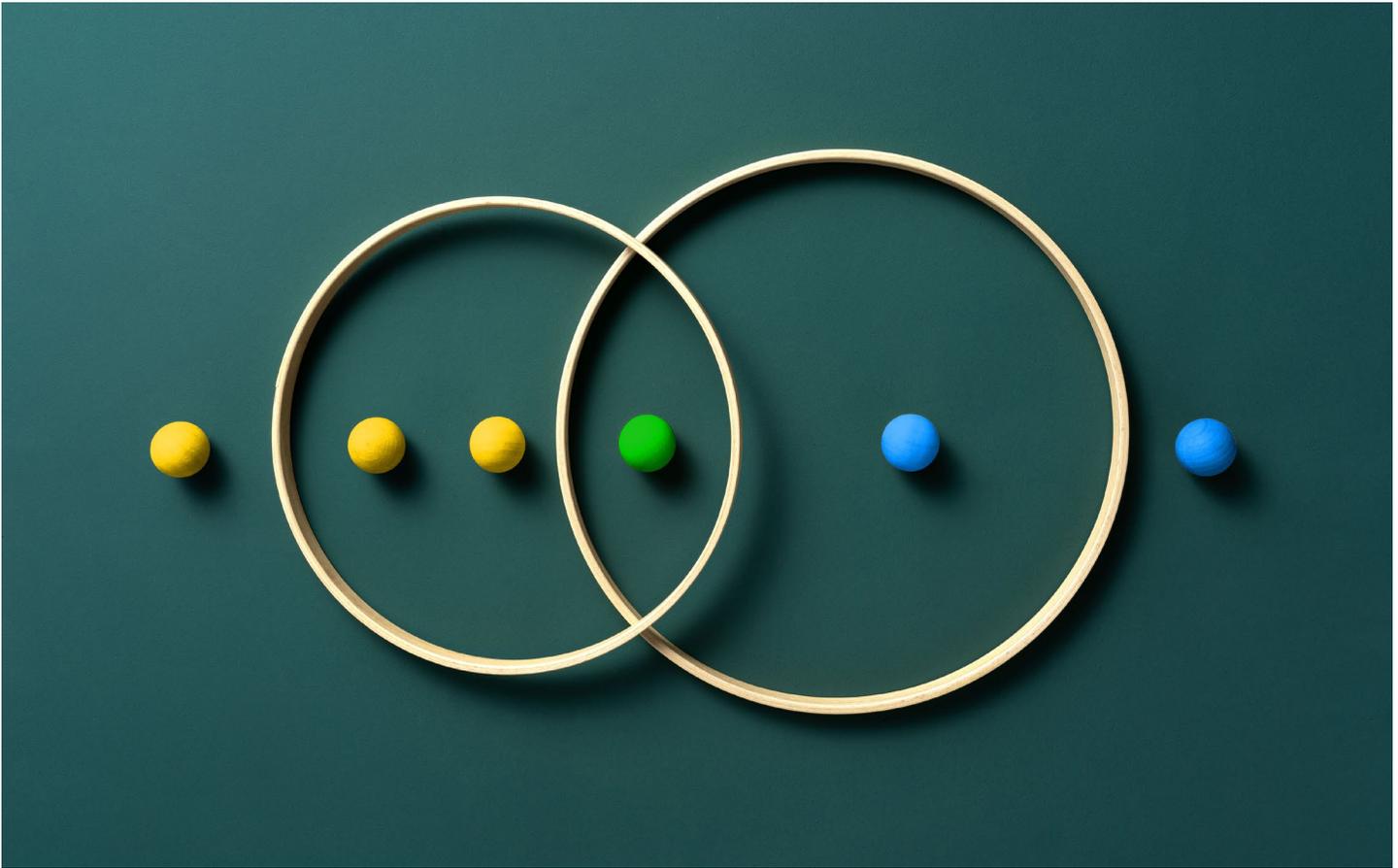
# Introduction

Over the past generation, disruptive brands have proven that it's possible to personalize customer experiences at scale through the creative application of technology and data. Those brands have fostered durable loyalty, grown customer value and carved out market share in ways that large companies could previously only dream of. As a result, most marketers now realize that customer experience personalization is the crucial key to growth and differentiation.

Getting there has been a challenge. For years, enterprises struggled to consolidate, clean and activate customer data in ways that enabled real-time experience elevation. Companies tested the limits of customer relationship management platforms, enterprise data warehouses and other technologies. While those systems have proven (and remain) undeniably valuable to help tame a range of enterprise data domains, a single, comprehensive solution focused squarely on customer data remained elusive.

Then came customer data platforms, promising a mix of capabilities that seemed perfectly suited to the age of customer experience:

> *A single, easy-to-use platform where customer data can be gathered, organized into unified customer profiles, mined for new insights, and used to orchestrate real-time relevant experiences for customers across channels and the full journey of engagement.*

On paper, this sounds like something every company needs. Sure enough, CMOs across industries have been racing to select, implement and activate CDPs for their businesses.

Yet many leaders find themselves slowed on the path to selecting a CDP by unexpected organizational discord and the lack of a clear and common definition of the capability. Often, the CDP that sounds like music to the ears of marketing leaders may be perceived

as noise by enterprise IT leaders. Data science and analytics teams, meanwhile, may prefer a different option all together.

To create harmony from all this internal dissonance, some companies are now turning to a "dual-zone" CDP approach. They're unbundling best-in-class customer data platform capabilities from one or more sources and reorganizing them into two distinct (but connected) zones, each with clear ownership and responsibilities. As a result, they're deepening their understanding of customers, reducing risk through greater privacy compliance, elevating the experiences of customers—and driving new revenues.

In this paper we explore what they've learned—and how you can apply a dual-zone approach to address your own internal customer data divide.

Companies with greater data ownership have seen a **5.6% increase in revenue** and a **14.9% improvement in marketing campaign effectiveness**.[1]

# Same lyrics, different tune.

In recent years, as marketing and other function-specific teams within the enterprise leveled up their tech fluency, those teams and their leaders found themselves with greater remit to make decisions about the tools and platforms that their organizations needed—such as web analytics, content management, commerce, digital asset management, customer relationship management and other domain-specific tools. In those cases, IT shifted from its traditional role as the primary enterprise technology decision-maker to focus on system integration support.

For the most part, this approach to technology selection and implementation fell into a good cadence.

But then that cadence suddenly modulated into an unexpected cacophony of conflicting voices with the appearance of CDPs.

It turns out this unexpected, yet all-too-common dissonance is rooted in divergent priorities and perspectives of marketing and IT—and amplified by the urgency that both organizations feel about solving their respective needs around customer data.

To understand, let's look again at the promise of the CDP and piece it apart.

**IT leaders** learn about a "platform where customer data can be gathered, organized into unified customer profiles, mined for new insights" and may think: Don't we already have that? They may believe the right solution goes well beyond marketing and incorporates sales and service data as well. Moreover, they see the swelling streams of data coming into the enterprise from a growing list of sources and recognize that the CDP can't be treated as just another tool; it must be integrated into the core enterprise tech stack in ways that augment and benefit from other types of business data, and managed to ensure that the customer data collected in the CDP is clean, well organized, trustworthy and governed in a way that limits risk.

**Marketing leaders** see the words "easy-to-use platform … to orchestrate real-time relevant experiences for customers across channels" and they're ready to hit the "buy now" button. To them, that's the critical business case for a CDP: a tool to provide better experiences for customers, help drive greater revenues for the business, reduce operational costs and accelerate campaign turnaround times. They aren't focused on the upstream mechanics of how the data is ingested, organized and enriched. They just want the easily accessible, actionable profiles that a CDP can provide, and the outcomes it can facilitate.

Those perspectives aren't just subtle variations on a theme. Leaders are all reading the same lyrics but often seem to be hearing very different tunes.

## Solving needs across the customer data divide.

Enterprise IT and marketing typically have different priorities when it comes to customer data-related capabilities. Identifying the right solution for your whole organization begins with understanding where those needs diverge—and where they overlap.

### Enterprise IT

Domain-driven

Golden records

Data governance

Data ingestion framework

Data warehousing

Taxonomy management

Metadata management

Automation

### Shared / common

Identity resolution

Data quality

Segmentation

Data science

Data visualization

Security & privacy

### Business

Digital-driven

Journey management

Real-time profiles

A/B testing

Personalization

Attribution

Closed-loop measurement

Next best action

**73%** of marketing decision-makers worldwide say a CDP is (or will be) critical to their customer experience efforts.[2]
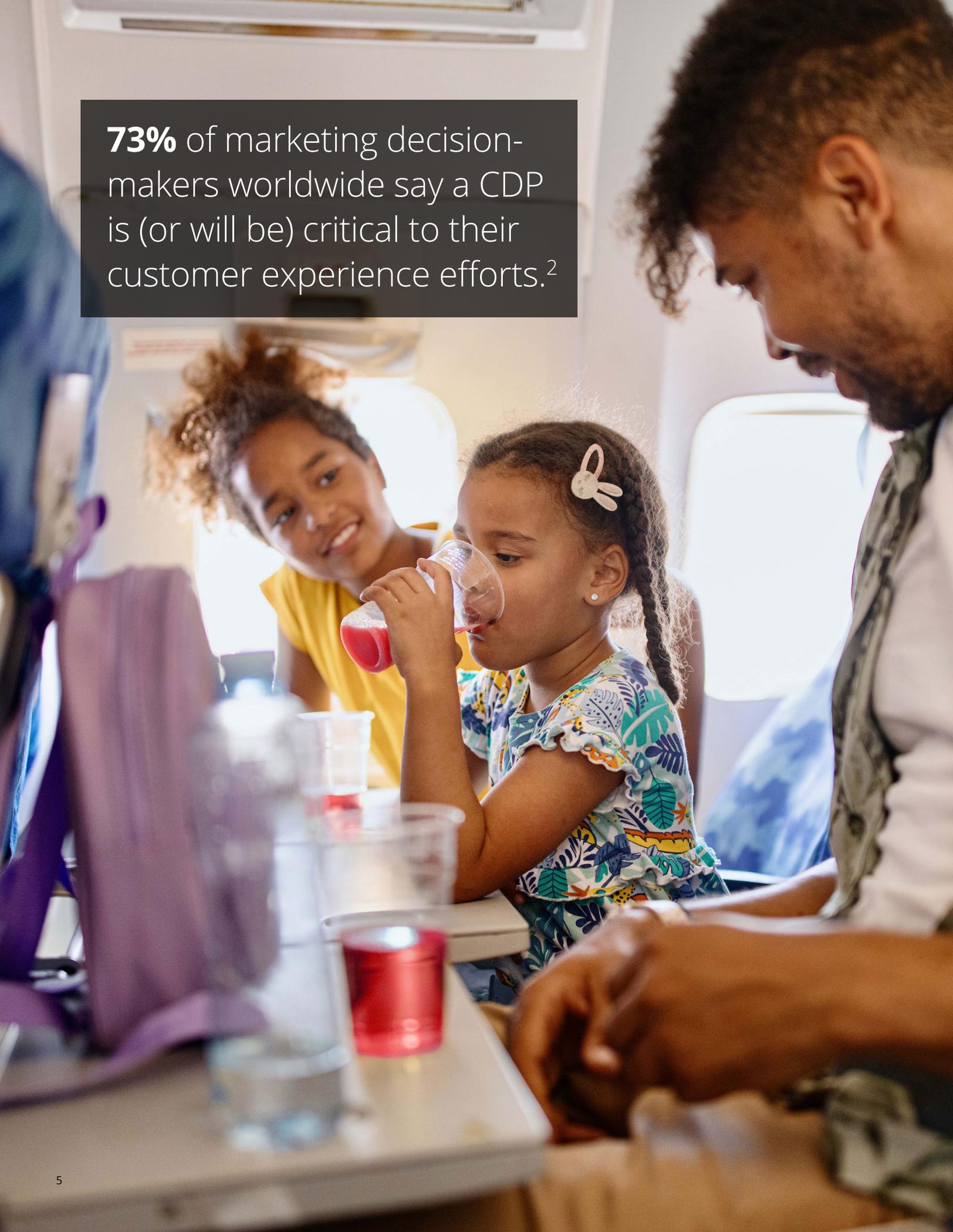
# Many solutions—and often, no clear answer.

Enterprise leaders can't be entirely blamed for their differing perceptions about the role and value of a CDP. Today, the Customer Data Platform Institute lists more than 180 companies that provide CDP solutions.[3] Many of those products are built to serve specific purposes and buyers. For example, some CDPs are specialized for certain industries, while others are geared toward businesses of a certain size. Even so, winnowing down to a shortlist of best-fit and viable solutions can be a challenge for any company.

Broadly, Deloitte Digital views CDPs as falling into four categories: cloud-native, marketing clouds, pure-play, and marketing service providers. There are plenty of similarities across these various types of CDPs—but also some important distinctions between them.

Nearly every CDP includes data management capabilities such as data collection, pre-built connectors, data processing, identity resolution, unified profile (also known as customer 360), data enrichment and data governance. Additionally, many include a mix of decisioning capabilities, such as reporting, analytics, insights, data science and next best action.

Delivery capabilities such as journey orchestration, personalization and activation present newer opportunities. These features—the ones most keenly desired by marketers—might be bundled into the CDP offering or could be a separate tool into which a CDP is integrated.

Most marketing and IT leaders would say they need *all* of those features. Yet a CDP solution that has everything all-in-one may not necessarily be the best choice for an organization. Then, even if teams have aligned on the same set of requirements and priorities for the CDP, there may not be a single, off-the-shelf solution that balances all of the company's needs.

With so many choices and tradeoffs, some companies have opted to build their own CDP (or have one custom-built for them by a third-party vendor). However, a custom build can be costly to design, implement and maintain over time—and if the features or interface aren't carefully designed to serve the current and future use cases and users of the organization, adoption and effective use may be a significant hurdle. Most organizations have neither the time nor the resources to navigate that path.

Fortunately, there's a better alternative.

## Common CDP archetypes.

Four basic CDP archetypes are emerging in the marketplace today—each with its own strengths and gaps.

### 1 Cloud-native CDP

**Key role:** Customer data consolidation & management.

**Benefits:** Provides advanced data management, identity resolution, data hygiene, governance, security access controls, calculated attributes and extended real-time capabilities. This type of CDP supports full ownership of customer data and enables enterprise flexibility.

**Limitations & challenges:** IT dependent. Does not offer a user interface for data delivery to downstream systems for business users or tight integration with martech.

### 2 Marketing cloud CDP

**Key role:** Customer 360 activation.

**Benefits:** Provides an actionable 360-degree profile at the center of a martech ecosystem with access to a user-friendly, self-serve user interface for segmentation and channel activation via robust connector libraries.

**Limitations & challenges:** Does not offer robust data management to properly cleanse and stitch customer records and relies on deterministic identity match keys. Data security a key consideration.

### 3 Pure-play CDP

**Key role:** Customer data management middleware.

**Benefits:** Integrates with other systems, with the option to license only the specific use cases you need for a packaged solution designed to work with other technologies.

**Limitations & challenges:** May be difficult to choose the right software given all of the different options. Working through third-party integration challenges can sometimes be complicated.

### 4 Marketing service provider CDP

**Key role:** Customer data managed services.

**Benefits:** Full-service solution that can be completely outsourced to a vendor, allowing brand teams to focus on more strategic imperatives.

**Limitations & challenges:** Figuring out how identities are managed, how specific queries are built and how attribution reports are developed can sometimes feel like working with a "black box" due to the outsourced nature of the solution.

# Stop dueling and go dual.

Increasingly, companies are turning to a dual-zone approach to the CDP. At the core, this is about tapping into best-fit capabilities from one or more off-the-shelf CDPs; and then connecting and organizing those capabilities into two distinct zones that have clear roles, ownership and responsibilities to achieve a common goal.

Here's how it typically works.

**Zone 1** acts as a *data management layer* that is focused on core identity resolution and activities that require heavy processing power. Customer data from online and offline sources is processed in this zone to conform to privacy requirements, data governance, hygiene and quality standards. Modeling with machine learning and data visualization is performed here as well. The information is then compiled into cleansed, unified, individual customer profiles.

**Zone 2** serves as the *activation lay*er for the profiles that can be further enriched with digital identifiers and real-time data signals in order to make them truly actionable profiles. This zone features a user-friendly, self-serve interface that marketing, sales and service teams can use to perform segmentation, orchestrate journeys and deliver personalized experiences across touch points.

Determining ownership of these zones between marketing and IT requires thoughtful consideration. To avoid problems, marketing and IT should collaborate on a careful assessment of which zones and teams are best suited to handle which customer data workloads. A key is to focus on ensuring that data and work isn't being duplicated unnecessarily while also addressing gaps that may have been overlooked.

By defining clear responsibilities and the appropriate zone for processing, storing, analyzing and activating data prior to activation *(see next section, "Hitting the right notes for organizational harmony")*, all stakeholders and teams can focus on the things that matter most to them—while delivering value that is greater than the sum of its parts.

A dual-zone approach may sound complex. However, it's worth recognizing that this approach isn't unusual and in fact echoes a broader trend in enterprise technology development toward unbundling pieces of various platforms and composing them in new ways.

For example, in recent years many digital commerce teams have adopted composable approaches to address emerging needs using plug-and-play components—such as adding curbside pickup capabilities—without undertaking a time-consuming re-platforming effort.

This approach does require careful planning and execution when applied to emerging domains such as CDPs. But a growing number of brands are figuring it out—and, in the process, solving one of the most critical enterprise technology needs going forward.



## Zone 1: A single repository of customer data ...

**Core function:**
Identity resolution & insight generation

**Recommended owner:**
Enterprise IT

**Best-fit technologies:**
Cloud-native and other enterprise pure-play vendors



## Zone 2: ... to help elevate customer experiences.

**Core function:**
Omnichannel orchestration & CX personalization

**Recommended owner:**
Marketing

**Best-fit technologies:**
Enterprise marketing clouds and other enterprise pure-play vendors

Brands that took charge of their data strategies saw a **10% reduction in costs through vendor consolidation**.[4]

# Hitting the right notes for organizational harmony.

Having the right processes and governance in place is essential as you map out a dual-zone CDP solution for your business. Here are some suggestions that can help amplify success.

### 1. Accept the conflict:

The need for a CDP may seem obvious to you, but many organizations don't understand or don't mutually agree that there is a problem to be solved. That is why a critically important first step for both IT and business leaders is to identify the root causes of internal dissonance. If you skip this step, you will likely continue to struggle to close the gap for your organization.

### 2. Define the undefined:

If you are hoping for a universally agreed definition of the CDP you will be disappointed. Industry analysts, software vendors and your internal teams will all have differing opinions. Once you've done your due diligence, the next step is to align on a common CDP definition for your organization to rally around. This will help you make smart business and technology choices. You are now in the driver's seat, looking for solutions that meet your specific requirements instead of listening to vendors pitch different bells and whistles in a feature set.

### 3. Prepare for new ways of working:

To become more data-driven as an organization, your operating model will almost inevitably change. It is a good idea to evaluate models that are centralized, decentralized and hybrid—with the caveat that a centralized operating model would likely be very expensive and difficult to scale due to the sheer amount of data being generated and the need for subject matter experts who truly understand data and experience products for their particular domains. We therefore recommend focusing on decentralized, distributed and hybrid models.

### 4. Work the workflows:

In order to successfully create shared ownership of a complex solution like a CDP, it becomes very important to understand where the handoffs occur. The goal in most instances is to segregate all capabilities into two zones. However, there are some instances where shared responsibility and capabilities are needed. In these situations, it is helpful to adopt an "assembly line" mentality of manufacturing data and experience products.

### 5. Aim for the flywheel:

Though we've described the dual-zone approach in ways that may sound linear or in steps, it is actually designed to be quite dynamic in practice. In order to avoid silos the two zones need to be closely connected in ways that create a closed loop. This provides tremendous value by allowing you to validate business outcomes and to constantly calibrate your new growth engine.
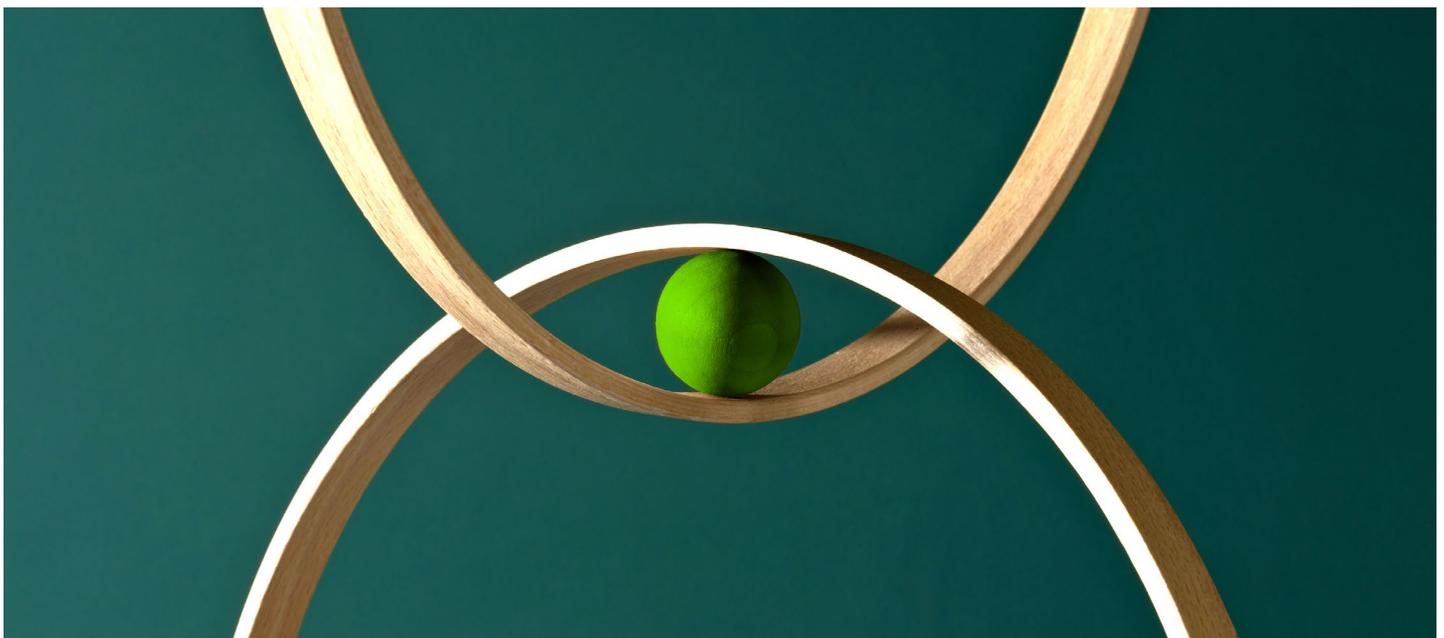
# Conclusion

In order to orchestrate customer experiences that are memorable, you need to understand and remember everything you've ever learned about your customer— who she is, where she lives, what she likes and has purchased, and more. You need to recognize her anywhere that you interact—on your website, on social media, in email, even in a store. And you need to engage in ways that serve her needs and desires in the moment—whether that's by providing a personalized discount code, by serving up a customized product description or by anticipating her favorite size and color.

*Remembering*, *recognizing* and *engaging* **customers in personal, respectful, intuitive ways are the foundational keys to building durable customer trust and loyalty.** The ability to do that at scale is imperative in order to drive growth in today's experience economy. All of that depends on how effectively you collect, connect and activate customer data.

That's what a smartly selected, carefully implemented CDP solution can help you accomplish. And when differing organizational priorities and unique enterprise requirements demand a bespoke solution, a dual-zone CDP can often be the most direct and cost-effective approach.

Ultimately, this is about making technology fit the unique needs and realities of a company—rather than the other way around. By adopting a dual-zone approach to CDPs, businesses across a range of industries can establish the specific customer data capabilities they need, at speed, while keeping costs under control. Understanding and aligning on this new approach—and then organizing the team to best operationalize the solution by clearly defining handoffs and responsibilities—is more important than ever. The dual-zone CDP approach helps end the duel between marketing and IT, and enables businesses across industries to optimize their processes.

**Here are some questions to ask yourself as you assess whether (and how) a dual-zone CDP approach can help your brand.**

1. Do we have a clear and aligned understanding of what a CDP can and can't solve?

2. Do we know how to build a cross-functional business case for a CDP solution?

3. Is it clear how a CDP is different (or the same) from our master data management and/or data lake solutions?

4. Are we prepared for a change to our operating model when implementing a CDP?

5. Is it clear who will ultimately "own" the CDP and be responsible for ongoing maintenance?
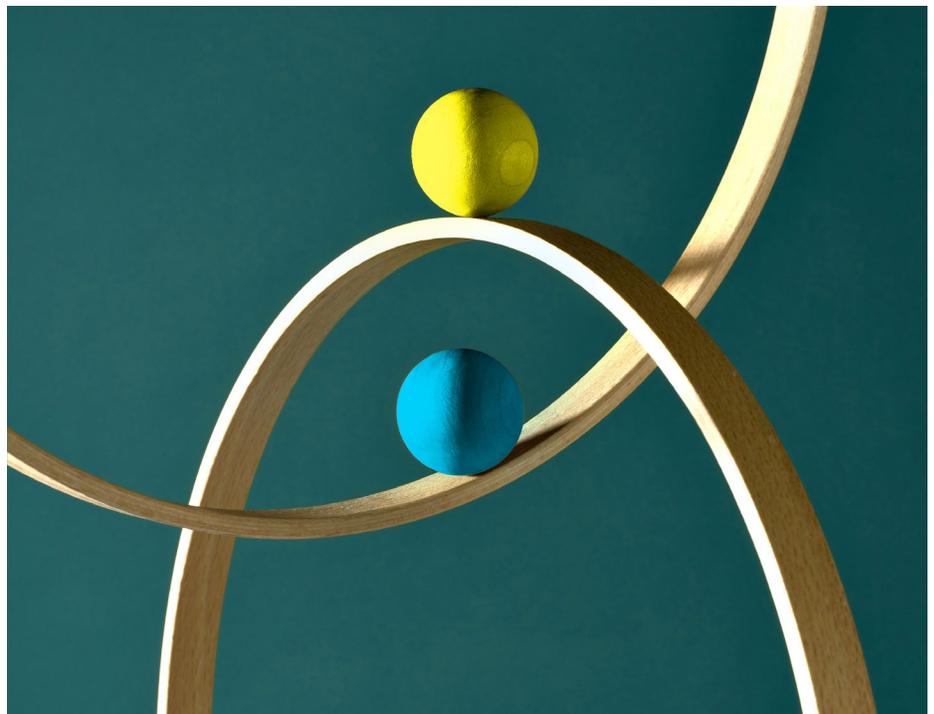
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# Sources

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