



EXECUTIVE  
SUMMARY

---

# THE RIGHT CUSTOMER DATA

First-Party Data, Not Third, Drives Marketing ROI

# Table of Contents

Methodology .....	3
The Demise of Third-Party Data .....	5
Avoiding the Marketing/IT Disconnect .....	8
How a Customer Data Platform Can Help Marketing Organizations .....	10
Conclusion .....	12

# Methodology

Lytics commissioned independent market research company Vanson Bourne to conduct a **quantitative research study with 300 IT and Marketing decision makers** in March 2020 in the US. Respondents came from organizations with 250-2,499 employees, across a range of sectors.

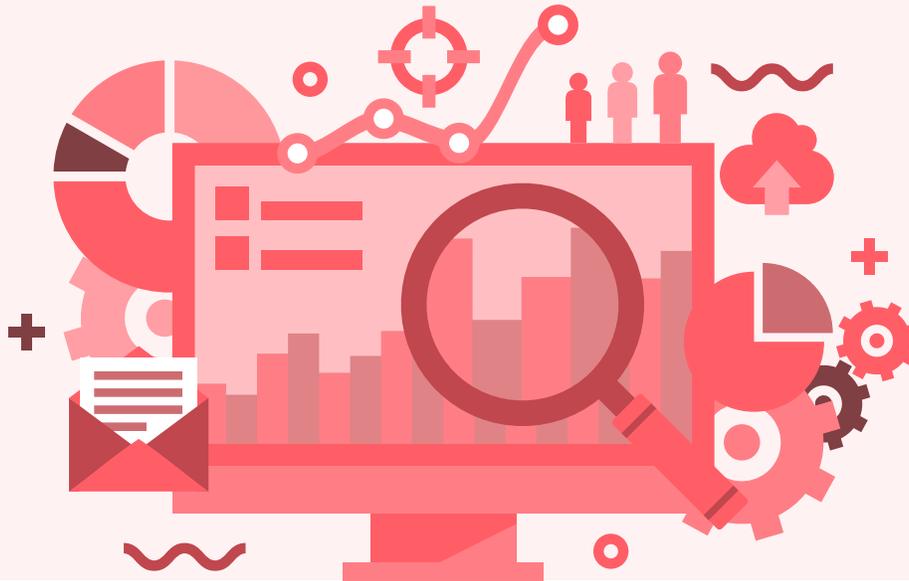
All interviews were conducted using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.



Lytics customer data platform enables marketers to build personalized digital experiences and 1-to-1 marketing campaigns by focusing on behavioral data and combining it with our advanced data science and machine learning decision engine. In a world where brands need to compete with Amazon, Netflix, and Spotify, Lytics help them thrive.



Vanson Bourne is an independent specialist in market research for the technology sector. Their reputation for robust and credible research-based analysis is founded upon rigorous research principles and their ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets.



## Third-Party Data is Dying...

...and organizations that rely on it for customer information are understandably worried. Historically, marketing departments have relied on customer personas and demographic data to target audience segments effectively. But today, marketing departments have access to much more sophisticated data--such as customer behavior, affinity, propensity, and activity--and insights provided by robust machine learning algorithms.

Organizations should be collecting and mining first-party behavioral data, but all too many are stuck in the third-party data status quo. When customers engage with online content, their behavior gives off strong signals that can serve as the foundation for strong and relevant personalized experiences. This information tells organizations what their customers are likely to do next. For example, it allows marketers to focus attention on audience segments like loyal customers or those who are likely to churn.

Most organizations possess vast troves of customer data. Unfortunately, many are wasting valuable time and resources collecting and consolidating data they're not even using. Organizations need an accessible solution that helps them to focus on the right data versus all of the data. This solution should also surface recommended next actions, in a manner that is easily understood and usable.

# The Demise of Third-Party Data

## HAVING TOO MUCH DATA OBSCURES WHAT'S IMPORTANT

Large volumes of data create noise for marketers who want fast access to the information they need to achieve their goals and outcomes. Three quarters (75%) of surveyed IT and Marketing decision makers agree their organization has plenty of useful data available to them, but on average just 40% of first-party internal data is being used effectively to gain useful information. Almost habitually, organizations are collecting a slew of data on their customers “just in case”, causing confusion and disarray for marketers. These organizations need smaller, better organized and more accessible data sets that provide the insights they need to deliver strong marketing campaigns.

### RESEARCH INSIGHTS

On average just **40% of first-party internal data is being used effectively** to gain useful information.

The current customer data landscape is inaccessible, with almost six in ten (57%) respondents agreeing that it can be difficult for them to access the data that they need. It is also time consuming, as just under half (45%) cite that they do not have enough time to manage the data that is being held. It isn't clear to marketers what is important and what data can be used to achieve marketing goals, while meeting the needs of customers who are registering and engaging with content all the time. Organizations are making it harder for themselves, and unknowingly creating time-consuming barriers for their marketing teams.

Third-party data is typically demographic, and easier for marketers to obtain, so much so, three quarters (74%) of respondents say without third-party data, their marketing content would be weak. Yet, due to stricter data protection laws such as the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), third-party data is disappearing. For example, there is now smart cookie-blocking technology in place such as Apple's Intelligent Tracking

Prevention (ITP) and Firefox's Enhanced Tracking Protection (ETP) which blocks third-party cookies.

While third-party data is disappearing, it's not the data that provides meaningful insights on customers — only first-party data can show richer insights such as behavior, affinity, intent, and ultimately paint a realistic portrait of your customers. Organizations need to stop relying on third-party data because they're simply wasting vital time. They need to embrace this window of opportunity to start focusing on collecting first-party data, getting ahead of their competitors before it's too late.

## **OVER TWO THIRDS (69%) OF MARKETING DECISION MAKERS ARE WORRIED ABOUT THIRD-PARTY DATA DISAPPEARING. WHY?**

Third-party data is often a marketer's first port of call, but they're unknowingly wasting their own time. They're worried about the disappearance of third-party data because so many organizations rely on it to identify and target their online customers. These fears can be mitigated if the focus is shifted to first-party data and behavioral insights - the data that highlight what is important, relevant to and resonant with their customers. On top of this, it's easier to collect than most organizations realize, and marketers can act on the data in real-time. As a result, organizations can improve their segmentation and ability to provide true one-to-one personalization, which is vital, as almost all (95%) respondents agree that customers appreciate and value a personalized experience. Customers want to be understood and cared about by organizations, in a way that's special and unique to their needs.

The vast majority (95%) of respondents agree that understanding customer behavior and motivations, the insight gained from first-party data, is essential in the creation of strong, relevant content. It couldn't be clearer that first-party data is what businesses should be focusing on to create the strongest relationships with their customers.

Most organizations believe they need to create a 360-degree, single view of the customer by organizing and unifying all their data, believing that this is the only way to deliver personalized experiences. This is not the case and can be detrimental, resulting in longer time to value, and delivering vital personalized relationships at a far slower rate.

Organizations use data to drive decisions and to ensure that outcomes and goals are met. These goals differ by organization, but whether they're aiming to prevent customer churn or increase the number of website views, it's imperative that they're supported by the right data. To explore this further, CDP software provider Lytics conducted research in March 2020 with 350 customers. Their research discovered that 92% of outcome variabilities can be traced to customer activities that can be measured through first-party affinity and behavioral data. This suggests that the cleaning and consolidating of third-party data doesn't add value, and wastes time by distracting from the outputs that matter most.

**RESEARCH  
INSIGHTS**

**92%** of outcome variabilities can be traced to customer activities that can be **measured through first-party affinity and behavioral data.**

The marketing department know the goals they want to achieve and should have ownership of the data to create strong content. However, if organizations choose to adopt a 360-degree view of their customers, this can quickly become an IT-led data organization project resulting in lengthy time delays.

# Avoiding the Marketing - IT Disconnect

Marketing departments have the clearest picture of how to use customer data to successfully achieve their goals. However, IT departments are often involved in the processing and organizing of customer data even when they're not fully aware of how it's going to be used downstream. The disconnect is highlighted when exploring the level of understanding IT teams have of the needs and goals of the marketing department. Compared to more than half of IT decision makers (59%), just a third (33%) of marketing decision makers believe that the IT department fully understands the needs and goals of the marketing department.

Marketing is focused completely on goals and outcomes around acquiring customers, cross-selling/upselling, engaging customers, and preventing churn. These goals are achieved by focusing on critical data that is connected to customer behavior. This data can be used to surface insights and provide recommendations to create personalized experiences, deepening customer engagement and relationships. There is a clear misalignment in thinking between the IT and Marketing departments, making it hard for them to carry out their jobs.

## RESEARCH INSIGHTS

**42%** of marketing decision makers cite that **the marketing department doesn't know how best to use the data they're given** to make successful, well-informed decisions.

The marketing department are struggling to use data effectively. Over forty percent (42%) of marketing decision makers cite that the marketing department doesn't know how best to use the data they're given to make successful, well-informed decisions. On top of this, 41% of IT decision makers believe that understanding the marketing goals of the organization is the most likely challenge being faced by the marketing department. This lack of understanding is making it difficult for IT to help

the marketing department achieve their goals through productive use of data. The clear lack of communication, understanding, and visibility is leading to confusion amongst these two departments. Worryingly, over half (55%) of marketing decision makers agree that the data they are provided can be confusing, difficult to interpret and is sometimes of no use. This is because organizations are holding too much data on their customers, and the marketing department are unsure of which data is most central to improving customer engagement and the above-mentioned goals.

## **IS THE IT DEPARTMENT GETTING IN THE WAY?**

To ensure that customer data is organized and presented in a useful and logical way, the owners of potential solutions, whether marketing or IT, must understand the marketing department's goals. However, understanding who would take responsibility for gathering and "stitching" data together to create a unified view, highlights further disagreements. A majority of IT decision makers (89%) say it would be the IT department, while 90% of marketing decision makers say it would be the marketing department. These results highlight a turf war between the two, and this turbulent relationship risks preventing the productive use of vital customer data.

These projects should be led by the marketing department — the primary team who understands the overall goal better than any other team.

## **WOULD IT BE EASIER TO REMOVE THE IT DEPARTMENT FROM THE EQUATION?**

In short, yes. While the IT department have a critical role to play in the deployment and management of such projects, they are not the key stakeholder in its success. One solution is to limit the role the IT department play in the organization of customer data. Marketing departments need a better means of focusing on the data that really matters and that will help them achieve their goals such as increasing brand engagement, increasing online conversions, reducing customer churn, and identifying their most connected customers.

# How a Customer Data Platform Can Help Marketing Organizations



## 94%

of respondents agree that providing customers with a personalized experience is a **key customer experience differentiator**

Fortunately, there is a technology that can help marketing departments deliver. Without replacing your customer database, a Customer Data Platform (CDP) is a software solution that allows marketing departments to take ownership of their customer data and surface important insights that help drive engagement and meet marketing goals. When customers interact with pages and sites, organizations can collect this first-party interaction data by owning a CDP which unifies and aggregates customers' attributes and behaviors collected from a wide range of touchpoints, organizing them into a centralized database. This solution provides marketers with the most current and up to date answers to critical questions, allowing them to activate this broader view of their customers, creating unique one-to-one marketing campaigns and engagements based on interests that are unique to each user.

While many CDPs collect all customer data, **the Lytics CDP focuses on the right customer data**. Combined with the capabilities of artificial intelligence (AI) and machine learning (ML) organizations are presented with a wide range of exciting opportunities to create detailed customer profiles, predict what customers want, or what they might do next. These automated processes are constantly learning and creating algorithms based on customer data, and they're far quicker than manual processes, leading to insightful discoveries being made faster. Organizations can use this automated behavioral analysis and their newfound insights to optimize their targeting and deliver stronger real-time marketing campaigns across a wide range of channels at the right time to the right customers.

# UNIFYING THIRD-PARTY DATA TO CREATE A 360-DEGREE VIEW FIRST WILL LEAD TO A FAILURE IN YOUR DIGITAL TRANSFORMATION INITIATIVE

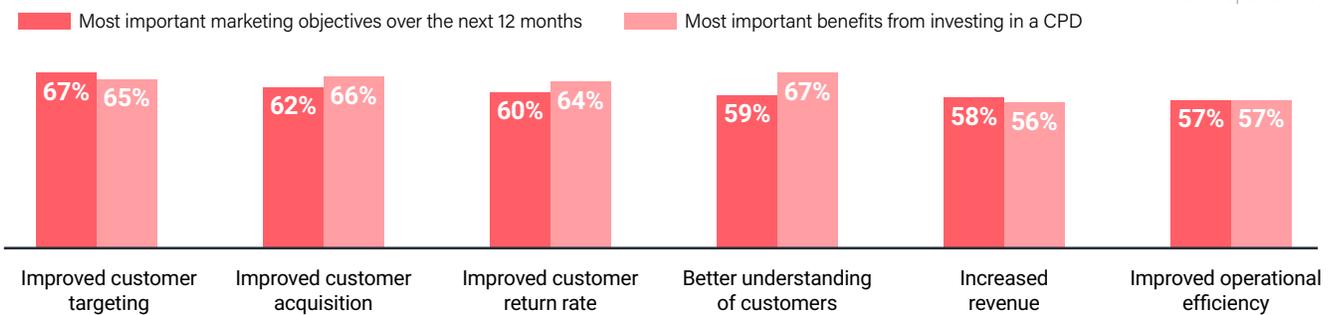
Organizations should be investing in the right CDP; a solution that improves business performance by focusing on the right data. Through the power of AI, organizations can dig deeper into behavioral data and improve the customer experience. A CDP strengthens marketing campaigns with improved customer segmentation and automated recommendations of actions to take to deliver 1:1 recommendations and enhance personalized customer experiences.

There is too much data sitting in customer databases that isn't being used. Organizations mistakenly feel they need to create a 360-degree view of customers first, and this is when these projects become IT-led and time consuming. CDPs help organizations speed up and refine what is currently a lengthy and complex process by stitching together and unifying customer data that is constantly changing so that organizations always have the most current and up to date view of their customers.

Nearly all respondents (99%) feel that implementing a CDP has been or would be beneficial to their organization, and there are many benefits and business drivers that would be positively impacted as a result of unifying data that aligns with organizations' marketing objectives.

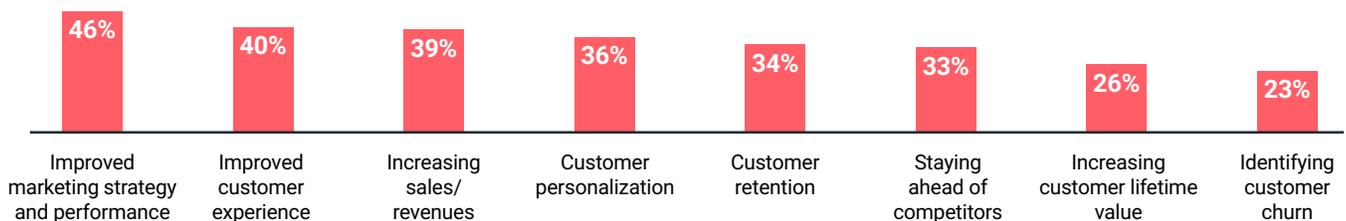
## MARKETING OBJECTIVES AND THE KEY BENEFITS OF A CPD

Base: 150 marketing/ martech respondents



## POSITIVE IMPACTS FROM UNIFYING DATA

Base: 300 IT and marketing respondents



# Conclusion

Forget about taking years to create a 360-degree view of customers. Focus on the right data that provides the insights needed to improve marketing campaigns and one-to-one personalization. The reliance on third-party data means that customer data doesn't inform organizations about a customer's motivations or intent.

The disappearance of third-party data isn't a harmful or disruptive event for marketers as this isn't the data that should be concentrated on. First-party behavioral and intent data is most valuable, and organizations need it drive their marketing goals.

Contrary to popular belief, organizations do not need to create a 360-degree view of their customers first, and the process doesn't need to be led by the IT department. This approach drastically increases the time it takes to implement such a project, time that the marketing department doesn't have. They need immediate insights which can be used to deliver the most effective, and relevant marketing campaigns to their customers.

A CDP solution that is managed by the marketing department will allow teams to collect and focus on first-party data and insights that drive results. Organizations who invest in an insights-focused CDP will use the right data to create the strongest, most meaningful customer relationships. These are the organizations that will reap the rewards of providing their customers with personalized and meaningful experiences.

## Recommendations

To ensure your organization reaps the rewards of providing meaningful 1:1 relationships with your customers, we have the following recommendations:

- ⦿ Don't focus on a 360-degree view of your customers
- ⦿ Prioritize first-party behavioral data
- ⦿ Make sure that the marketing department, not IT, own any CDP initiatives
- ⦿ Focus on rapid time to value and ROI

*Lytics*