ACQUIA
EXPERIENCE DIGITAL FREEDOM

BUILD OR BUY: WHAT'S THE RIGHT CUSTOMER DATA MANAGEMENT APPROACH FOR YOUR BUSINESS?

How to best prepare your team to make the decision and embark on the deployment process

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INTRODUCTION

With the end of third-party cookies on the horizon and increasingly stringent regulatory requirements limiting brands' abilities to track customers' browsing behavior across the internet, first-party data is becoming more and more important to today's marketers.

By leveraging data gathered from observing user behavior within your organization's own digital ecosystem, you can better understand what your customers want in order to deliver highly personalized, relevant, and satisfying experiences — while retaining trust.

In fact, first-party data can be more timely, more accurate, and more valuable than third-party data, but in order to capitalize on its full value, you'll need to build a first-party data strategy. This entails taking advantage of intelligent technology solutions that enable you to detect patterns in your customer data and create targeted marketing messages. For marketers who want a 360-degree view of their customers — one that can drive smarter marketing and business decisions in real time — a customer data platform (CDP) may be the perfect solution.

Once the decision to implement a CDP has been made, though, another question frequently arises: **should your organization attempt to build its own CDP by extending the features of systems that you already have?**

Or would purchasing a pre-built solution from a vendor make more sense?

In this e-book, we'll dig deep into the questions that most commonly arise during build-or-buy discussions. We'll help you weigh the potential costs and benefits of each approach. And we'll highlight what you need to look for in a CDP to ensure that you'll be able to deliver best-in-class omnichannel experiences.

UNIFYING YOUR CUSTOMER DATA

WHAT IS A CDP?

A customer data platform is a marketer-controlled system that's capable of unifying data from a broad array of sources in real time to create a single view of the customer. CDPs also provide deep analytical insights that are easy for non-technical people to understand. Plus, CDPs can activate your data across channels. This is what makes personalized customer experiences possible.

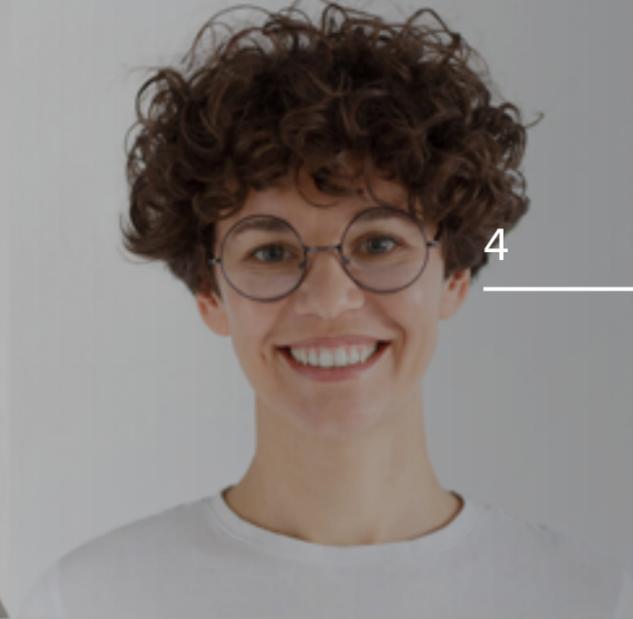**Once you've built a complete, unique picture of each of your customers, you can harness this information to:**

/ Deliver consistent, relevant messages across all channels

/ Intelligently predict which promotions and incentives your customers are most likely to respond to

/ Surface previously hidden relationships between online and offline experiences

/ Optimize the customer experience you deliver through more effective personalization

/ Drive customer retention and loyalty to increase customer lifetime value

BUILD OR BUY:
CUSTOMER DATA MANAGEMENT

BUILD OR BUY: THINKING ABOUT THE DECISION

Whether to purchase a pre-built CDP or build your own isn't always easy to decide.

IT stakeholders may believe that building a CDP involves a relatively straightforward extension of existing systems, and that doing this work in-house will allow the organization to tailor features to its individual data strategy and marketing needs. Business stakeholders may believe that a DIY strategy will be too expensive, time-consuming, and cumbersome — and ultimately won't deliver the advanced capabilities they need. In fact, both positions have some merit.
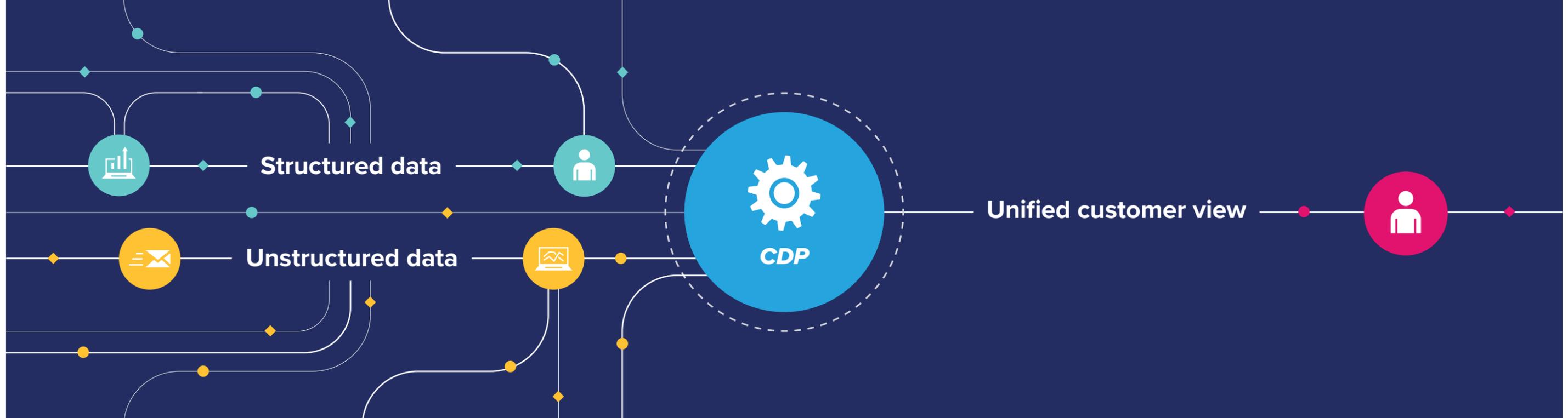
The reality is that "build or buy" is seldom an all-or-nothing proposition. Even the CDP solution that comes with the richest integration framework out-of-the-box will still need at least some customized connectors.

And every homegrown tool will need to integrate with at least some vendor-provided software. After all, the purpose of a CDP is to connect to a wide range of systems and data sources to synthesize customer profile data from across previously fragmented martech stacks.

The real question is: which strategy will give you the best access to the unified customer data you need, at the time that you need it, so that you can quickly activate that data to drive better decision-making and business value?

STEP ONE: FIGURE OUT YOUR DATA STRATEGY

Structured data

Unstructured data

CDP

Unified customer view

In the modern data-driven marketing landscape, where customer retention and growth depend on collecting and analyzing data, you probably already have access to an array of technologies for managing your customer data. If you're considering a CDP, it's likely that you're experiencing one or more challenges when it comes to meeting your customer experience or acquisition goals. You might be struggling to provide customers with consistent experiences across the entire customer journey,
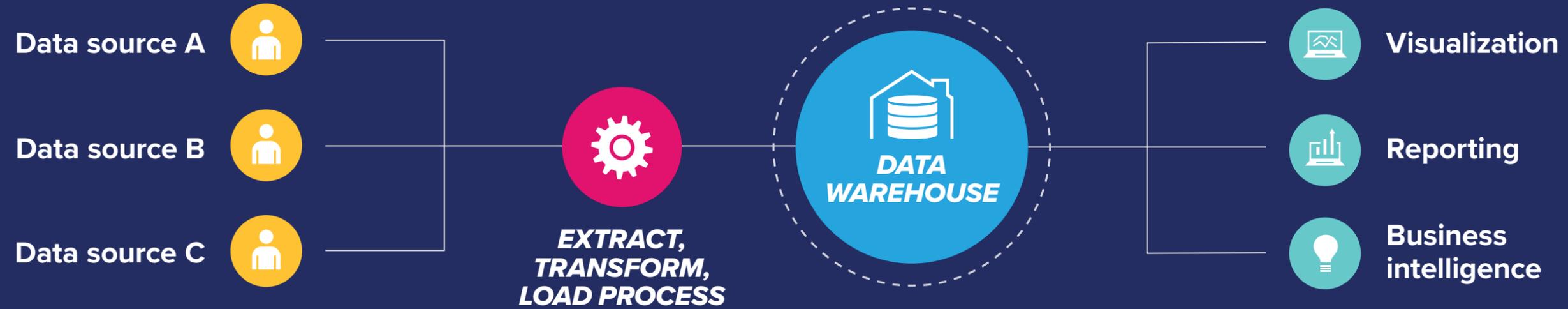
perhaps because your customer data remains fragmented, or because you're not looking at their experiences holistically.

The greatest source of value to be gained from a CDP is that it will integrate with and enhance the capabilities of your existing tech stack. Remember that the objective is to build a single, unified customer view by ingesting structured and unstructured customer record data from a broad variety of sources and channels.

At first blush, this may sound quite similar to the role that a data lake or data warehouse plays in your organization's data storage architecture, but in fact, a CDP's capabilities are quite different.

Most of today's larger enterprises have a **data lake** that's used as a centralized repository for storing raw structured and unstructured data. The benefit of a data lake is that it can hold large volumes of data as-is; there's no need to clean or structure the data before piping it into the data lake.

DATA LAKES CAN CERTAINLY BE USED FOR SOME ANALYTIC PURPOSES, BUT THEY WEREN'T DESIGNED TO SOLVE THE CHALLENGES OF MARKETERS LOOKING TO ACCESS AND ACTIVATE DATA.

Data source A → **Data source B** → **Data source C** → **EXTRACT, TRANSFORM, LOAD PROCESS** → **DATA WAREHOUSE** → **Visualization** / **Reporting** / **Business intelligence**

Increasingly, organizations are pairing their data lake with a **data warehouse** that's designed to hold data from across the enterprise. Before being stored in the warehouse, this data is ingested through an extract, transform, load (ETL) or extract, load, transform (ELT) process. These operations clean the data and ensure its quality before it is integrated into the warehouse.

Data warehouses were purpose-built to make data available for analysis and reporting, but they weren't designed to update in real time. Many enterprise data warehouses rely on batch processing, which means they're updated nightly — not often enough to keep up with the needs of agility-minded marketers. Plus, working with a data warehouse usually requires a significant amount of programming skill. It's not a storage architecture that was intended to democratize data access.

Another category of enterprise software that sometimes overlaps with — and is occasionally mistaken for — CDPs includes **master data management (MDM) solutions**. These are software products that work to make data all across the business uniformly accurate, with consistent fields and standards throughout. The idea is to create a reliable dataset that can be used in a wide variety of applications and workflows.

This data is like a "golden record" that can serve as a single source of truth across the entire enterprise. In this sense, it works similarly to a CDP, which unifies customer data from disparate sources into a single, persistent customer record. But MDM wasn't designed specifically for marketing use cases, though it may be able to support some marketers' goals, such as data governance or maintaining regulatory compliance.

While CDPs aren't the *same* as data lakes, data warehouses or MDM solutions, they are designed to *integrate* and *interoperate* with all of these tools. Of course, your customer data probably lives in a plethora of other locations, too. No doubt you have a customer relationship management (CRM) system that holds your customer account and sales contact information. Customer data likely also resides in your email solution, your personalization engine, your e-commerce system, your customer-facing identity and access management system, and so forth.

To build your own CDP, you'd need to create real-time connectors to every one of these source systems and databases that you will pull data from. A pre-built solution will come with a broad array of standard connectors, and the vendor may be able to build additional connectors or customizations for you if required. It will also automatically load, clean, transform, and store customer data.

YOUR CDP SHOULD BE ABLE TO PULL INFORMATION FROM AND INTERACT WITH ALL OF THESE CHANNELS.

DATA WAREHOUSE

CDP

YOUR CDP WILL ALSO NEED TO BE ABLE TO OUTPUT CUSTOMER PROFILE DATA TO OTHER APPLICATIONS IN YOUR MARTECH STACK BY MAKING IT ACCESSIBLE VIA APIS.

In addition, the CDP should support data sharing and direct queries from business intelligence (BI) users. To accomplish this, you'll need an underlying data repository that's elastically scalable, that can update in real time or near-real time, and that can respond to queries in a small fraction of a second. Data lakes and data warehouses do not have the required capabilities because they were not designed to respond to real-time queries from customer-facing applications.

ESSENTIAL CDP CAPABILITIES

To *create* a CDP, a development team would need to be able to build out all of the following components:

/ Connectors to all source systems and databases

/ The ability to clean, deduplicate, and manage the quality of customer record data

/ The ability to segment customers based on demographic and behavioral characteristics

/ The ability to combine all data related to each customer into a unified customer profile

/ A persistent identity graph that links personal identifiers to each customer

/ Connectors to all relevant analytics, marketing, sales, and operational systems

Note that what's described above is a basic, bare-bones CDP. Leading pre-built solutions include capabilities like machine learning-driven persona and personalization models that will help you understand your customers, drive engagement, and make better decisions.

STEP TWO: CALCULATE HARD COSTS, OPPORTUNITY COSTS, AND TIME-TO-VALUE

Once you've figured out whether or not a third-party CDP would enable you to generate the actionable insights that your marketing team needs from the customer data resources that you have on hand, the next step is to consider the relationship between potential project costs and business value.

We're not going to sugarcoat it: building your own CDP can be expensive. Whether you're planning to leverage internal resources or outsource the project to a systems integrator (SI) or software development firm, the initiative will require time plus extensive software engineering and development expertise. But initial development cost isn't the only consideration. You'll also need to factor in ongoing expenses for staff and hardware to run the systems over the long term.

This will include bug fixes, upgrades and additional connections for data sources — things that are usually provided at little or no additional cost when you buy a packaged CDP.

THESE HARD COSTS WILL CONTINUE TO COMPOUND OVER TIME.

If you're leaning on internal development resources for your CDP project, keep in mind that they won't be available to build other features or systems during the time that they're working on the CDP. This means they won't be able to focus on improving customers' digital experience – or on revenue-generating solutions. Instead, they'll be engaged in a long-term endeavor.

In reality, CDPs are complex solutions, and building one can easily turn into an open-ended project as unforeseen issues arise or additional capabilities are needed, again and again.
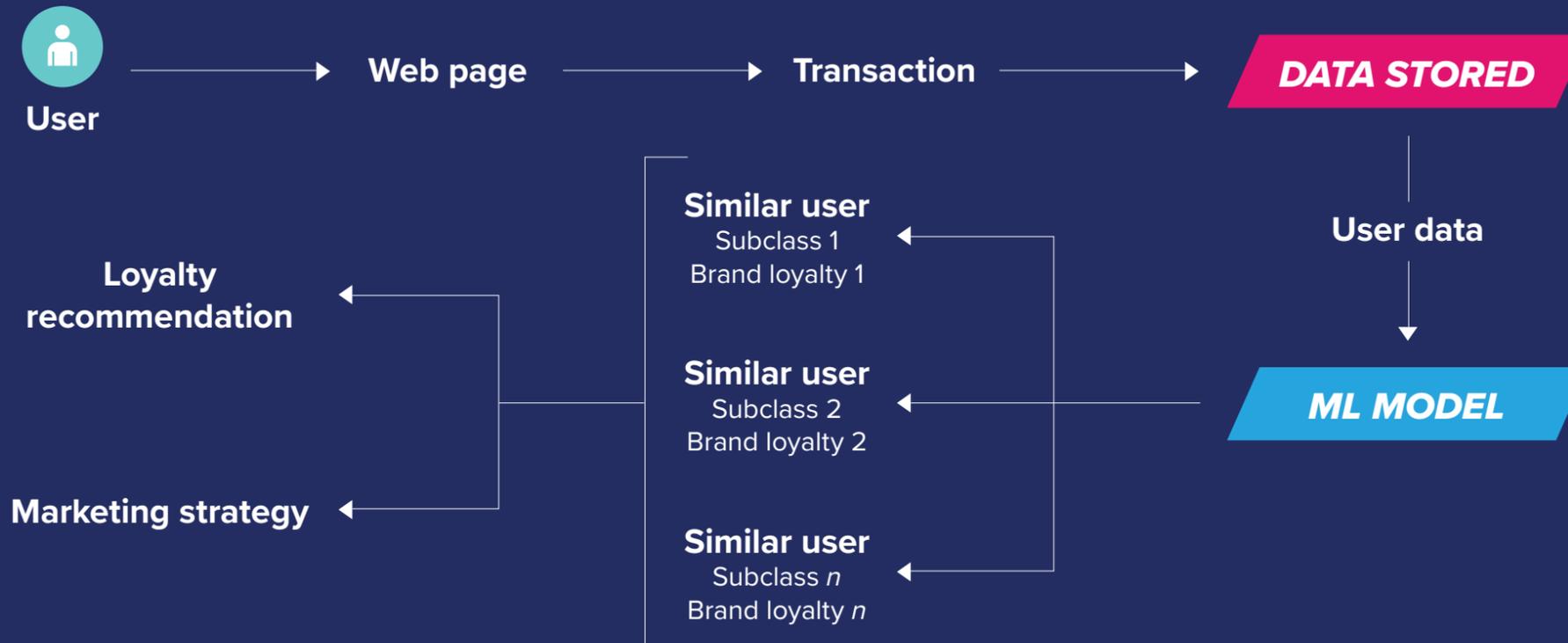
Keep in mind, too, that high-quality CDPs are commercially available. Your development team could instead be investing its valuable and limited time building out software and features that can't be had elsewhere.

PRO TIP

When you're evaluating the DIY CDP option, be sure to factor in the number of users you'll need to support, how long it will take to build the solution, your budget, and how long it might take to realize value from the solution. Be aware that development costs and time overruns are common with this type of project.

A second potential opportunity cost to consider is the lost value that comes with deploying your CDP later. Onboarding and implementation will always take longer with a custom-built system than with a product that's ready out-of-the-box. Having access to a system that gives you a 360-degree view of your customers, based on data from all relevant sources, can provide significant competitive advantages that will allow you to grow market share and revenue. You'll be able to gain and retain more customers, but you'll also gain insights into your customers' behavior as well as the impact of sales, promotions, and in-store events on your business's bottom line. How long can you afford to wait to gain access to these insights — especially when your competitors may already have them?

STEP THREE: REVIEW THE BENEFITS YOU'RE HOPING TO GAIN FROM THE PROJECT

EXAMPLE OF MACHINE LEARNING APPLIED TO CUSTOMER DATA FOR PREDICTIVE RECOMMENDATIONS

User → Web page → Transaction → DATA STORED

DATA STORED → User data → ML MODEL

ML MODEL → Similar user (Subclass 1, Brand loyalty 1), Similar user (Subclass 2, Brand loyalty 2), Similar user (Subclass n, Brand loyalty n)

Similar users → Loyalty recommendation, Marketing strategy

Whether they are vendor-provided or assembled from an extension of other systems' capabilities, not all CDP solutions are created equal. The best one for your business will be the one that gives the greatest number of users access to the most valuable insights, founded on unified and accurate customer data. This democratization of data access is essential for building a data-driven organizational culture in which decisions are evidence-based and analytical insights power success.

To achieve this end, machine learning (ML) and predictive modeling are key. ML enables you to assess how likely your customers are to buy, to pay full price, or to engage with your brand. More importantly, it can tell you what steps to take next — which products to recommend, when to send messages, how to manage campaigns, and what to do to optimize the customer journey.

Ultimately these insights enable you to take rational steps to drive revenue and grow the business.

Be sure that the CDP solution you're considering will actually provide a line of sight to every relevant role within your organization. Marketers — as well as sales teams and business analysts — need to be able to see and understand what's happening in real time so that they can make better decisions.

They shouldn't be waiting days or weeks for data teams to perform segmentation or generate a list of customers who meet certain criteria. Modern business moves much faster than that.

CASE STUDY

HOW LUXURY GOODS BRAND MCM USED ACQUIA CDP TO ACHIEVE 3X RETURN WITH PERSONALIZED EMAILS

Founded in 1976, MCM Worldwide is a global leather luxury goods brand that sells its products through franchises, its own stores, and online. As MCM's direct-to-consumer channel was growing in the U.S. and the EU, leadership wanted to enhance personalization while also controlling costs.
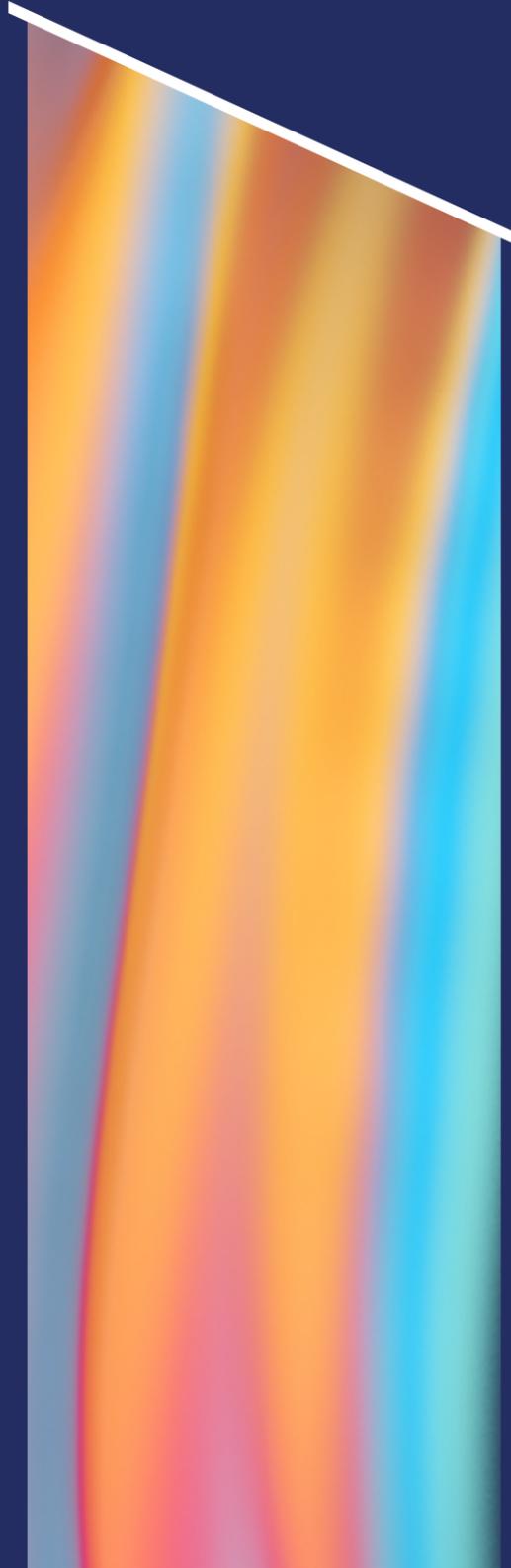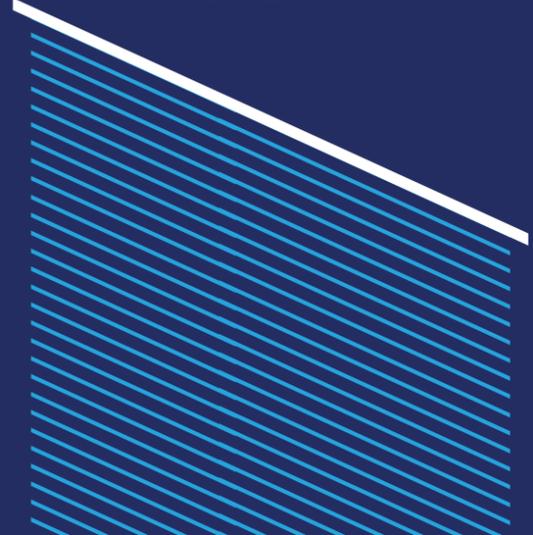
Since MCM was gathering more — and more valuable — customer data, they wanted to build personas for each sales region according to product affinity so they could better connect with target audiences.

MCM also wanted insights on where each customer was in their journey toward repurchase so their social media managers and store directors could better understand which products to recommend, and the optimal times to reach out based on a customer's purchase history.

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3x more

MCM's personalized emails generated 3x more revenue than the previous, standard "business-as-usual" emails.

Since MCM leadership made the decision to begin using Acquia Customer Data Platform in 2019, the company has realized a range of benefits.

/ Acquia CDP's Identity Resolution Engine helped provide the brand with a true holistic customer view.

/ MCM was able to create profiles for offline customers and target them based on their spend threshold, product cluster, and other data.

/ Dashboards in Acquia CDP helped standardize KPI reporting for MCM, giving top-level management an at-a-glance view of KPIs, growth, and more across regions.

/ By leveraging Acquia's machine learning models, MCM was able to make more effective product recommendations, improving personalization and increasing conversions.

/ MCM's personalized emails generated 3x more revenue than the previous, standard "business-as-usual" emails.

SUMMARY & TAKEAWAYS

A CDP CAN HAVE A TRANSFORMATIVE IMPACT ON YOUR MARKETING – AND YOUR BUSINESS

If you're evaluating vendor-provided CDPs, you'll want to look for a solution that gives you:

/ A single, unified view of your customers based on all relevant data sources, both online and off

/ Machine learning and data modeling capabilities that will reveal new and actionable insights about your customers

/ Robust reporting capabilities

/ A way to activate and operationalize data across all channels

/ Comprehensive data quality measures, identity resolution, and omnichannel customer data profile enhancement

BUILD OR BUY:
CUSTOMER DATA MANAGEMENT

ACQUIA CDP DOES ALL THIS AND MORE.

To see it in action, request a demo today.

REQUEST DEMO

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