How Customer Data Platforms Are Helping Marketers Adapt to Change

TEALIUM

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A year of adjustments for marketers

The rapid shift to digital channels during COVID-19 grabbed headlines throughout 2020. But for marketers, it was only one change among many in an eventful year.

Google Chrome joined Safari and Mozilla in announcing it would end support for third-party cookies, eliminating a tool marketers had long relied on to accurately attribute ad spend and market. The passage of the California Privacy Rights Act (CPRA) in November left them with more data privacy rules to address. And marketers were expected to handle all of these changes with budgets that had been reduced due to a sudden economic recession.

To understand how marketers have responded to these changes and what that means for the future of CDPs in 2021, Tealium surveyed 300 U.S. marketers in the travel, hospitality, finance, retail and healthcare industries in November 2020 as a follow-up to last year's State of the CDP Report.

Our research found that CDPs have been vital to marketers' efforts to address the many challenges of 2020. These experiences have solidified the CDP's position in the center of organizations' marketing stacks and increased marketers' confidence that the technology is here to stay. In our 2021 report, 68% of respondents said CDPs will remain a must-have technology in 2025, compared to only 57% in our 2020 report.

In this report, we analyze what our findings mean for the future of CDPs — and how marketers can leverage this powerful technology in 2021 and beyond.

Key findings

Martech budgets are growing
Eighty-nine percent of marketers will spend more on tech in 2021 than they did in 2020, and almost a third (32%) will spend significantly more.

Privacy is a top priority
Better protection for customer data privacy is the No. 1 outcome marketers are looking to drive with tech in 2021.

Vendor neutrality is not a given
More than half (53%) of marketers strongly agree their martech stacks are walled gardens, consisting of solutions from one vendor that have limited cross-compatibility with other solutions.

Integration difficulties are common
Almost two-thirds (62%) of marketers say it's difficult to integrate new third-party solutions into their martech stacks.

AI is central to marketers' plans
Fifty-nine percent of marketers say AI capabilities are extremely important for achieving their marketing priorities for 2021.

Only some CDPs meet marketers' expectations for time-to-value
The majority (57%) of marketers expect to see ROI from martech solutions within six months or less, but less than one-third (30%) see ROI that quickly from their CDPs.

CDPs are key to addressing **the marketing challenges** accelerated by COVID-19

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Marketers continued investing in CDPs despite budget cuts during the pandemic, recognizing the technology's central role in addressing third-party cookie loss and more.
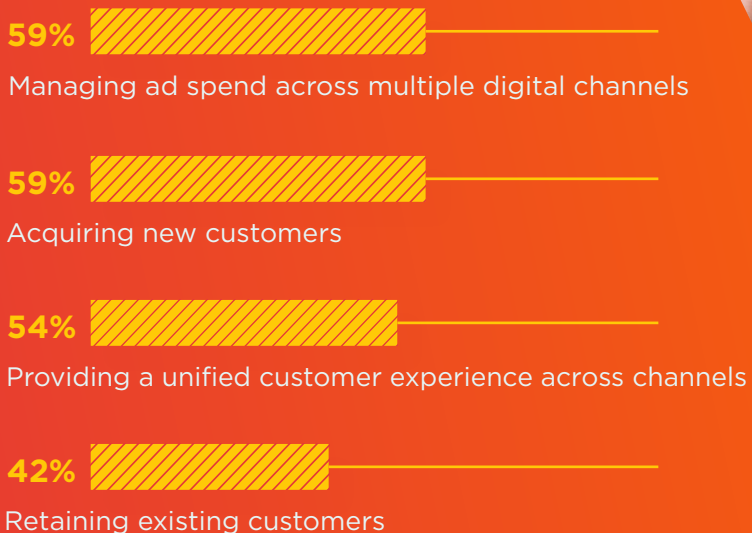
The pandemic shifted marketers' priorities

All of the organizations in our survey (100%) saw at least some marketing budget cuts due to COVID-19, and 41% saw cuts over 20%. Though the pandemic made organizations more reliant on digital channels for reaching their customers, most marketers couldn't afford to invest in new tech solutions. More than three-quarters (77%) of organizations cut tech initiatives in 2020 due to COVID-19.

At the same time as budget cuts were forcing them to do more with less, marketers shifted their priorities to address new challenges caused by the pandemic. For marketers without a developed first-party data strategy, the demise of third-party cookies made it harder to manage ad spend across digital channels. Tighter budgets made customer acquisition and retention more difficult. And finally, the restriction or elimination of in-person experiences put incredible pressure on marketers to offer a unified customer experience across channels — particularly digital ones.

"More than three-quarters (77%) of organizations cut tech initiatives in 2020 due to COVID-19."

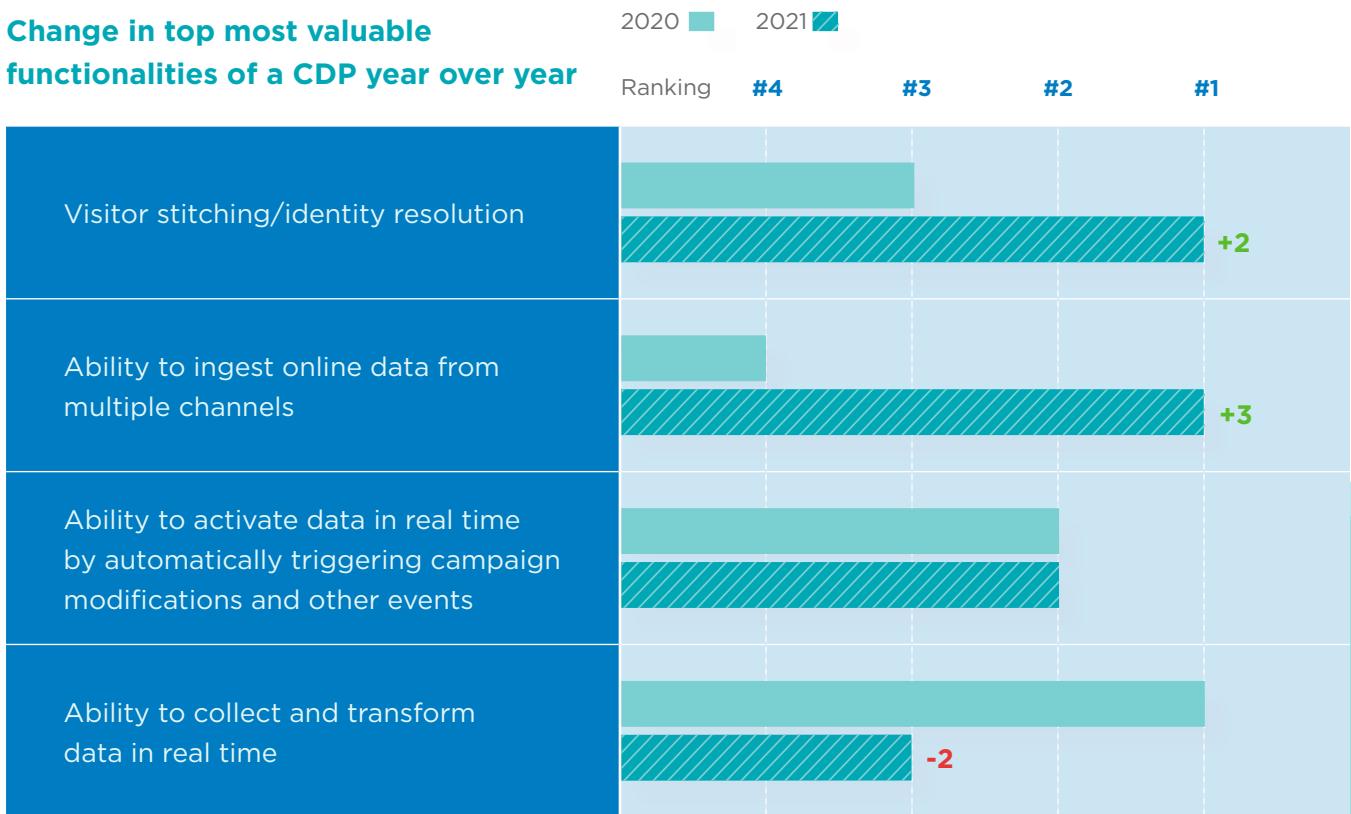## Top marketing priorities that became more important due to COVID-19

59%
Managing ad spend across multiple digital channels

59%
Acquiring new customers

54%
Providing a unified customer experience across channels

42%
Retaining existing customers

Our results suggest that marketers are using their CDPs to address these challenges head-on. For example, in our 2020 report, respondents focused on various forms of real-time functionality as the most useful capabilities of a CDP. Now, the emphasis has shifted to managing data across multiple channels and resolving customer identity — which are important for delivering seamless digital experiences in a post-cookie world.

"Now, the emphasis has shifted to managing data across multiple channels and resolving customer identity."

Change in top most valuable functionalities of a CDP year over year

2020 ▢ 2021 ▨

| Ranking | #4 | #3 | #2 | #1 |

Visitor stitching/identity resolution — +2

Ability to ingest online data from multiple channels — +3

Ability to activate data in real time by automatically triggering campaign modifications and other events

Ability to collect and transform data in real time — -2

2021 may see a rise in CDP investment

Despite the drop in tech investment overall, there wasn't a drop-off in CDP investment during COVID-19 — likely because CDPs are so important for addressing marketers' pandemic-related concerns. Eighty-nine percent of marketers we surveyed had a CDP, and nearly a tenth (9%) had adopted a CDP since the beginning of the pandemic in March 2020.

In 2021, marketers will make up for lost time by increasing their tech investments. Eighty-nine percent of organizations will spend more on tech in 2021 than they did in 2020, and almost one-third (32%) will spend significantly more. Perhaps because they were hit harder by the pandemic, travel and hospitality marketers were most likely to say they'll spend significantly more. The big question: Where will marketers allocate these funds in 2021?

"The big question: Where will marketers allocate these funds in 2021?"

Percentage of respondents who said they'll spend significantly more on technology in 2021, by industry

42%	**40%**	**31%**	**27%**	**22%**
Travel	Hospitality	Healthcare	Retail	Finance
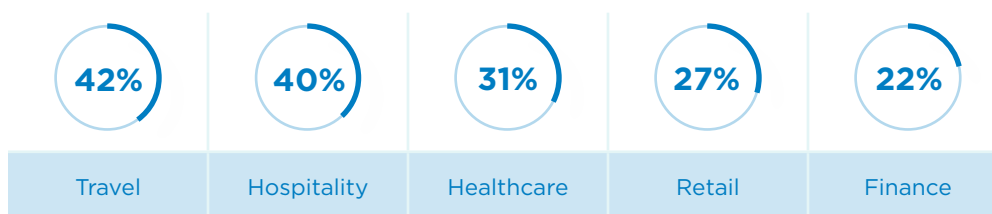
Key takeaway

Marketers understand that CDPs are key to unlocking the full potential of first-party data. The right CDP will anchor a robust customer data supply chain that frees your organization from excessive reliance on third-party data. It will also enable accurate attribution of ad spend and market, enabling more effective ad spend management. Finally, a CDP will support a unified customer experience across channels, built on first-party data acquired with customers' consent.

Recommendation

With third-party cookie loss, a first-party data strategy is no longer optional. As tech spending rebounds in 2021, look to invest in a CDP that is equipped to meet the challenge of third-party cookie loss, while also supporting better customer experiences.

Marketers are hungry for **vendor-neutral** CDPs that make integration easy

Vendor neutrality will win the day as marketers seek solutions that integrate quickly and easily with third-party tools.
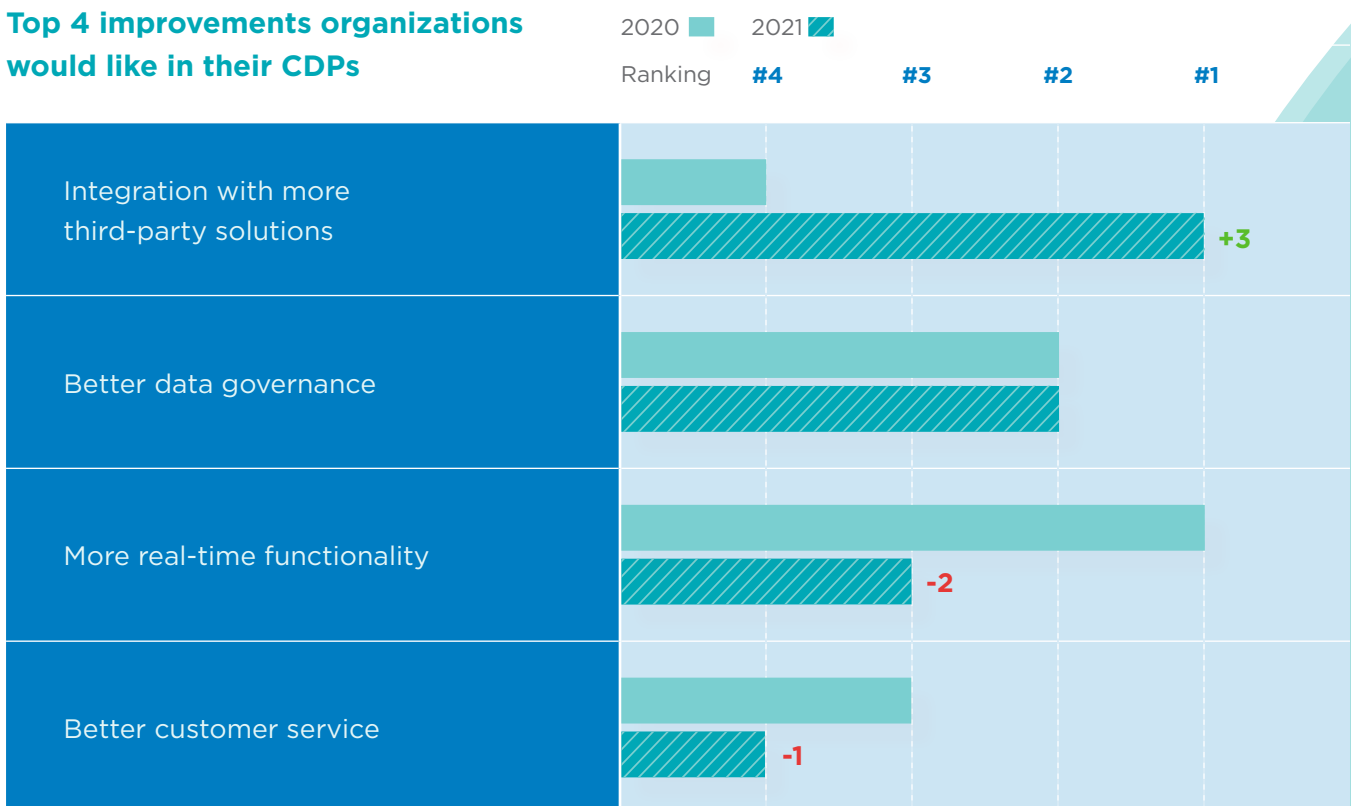
The importance of integrations

As first-party data becomes more central to marketing strategy, CDPs are becoming more central to martech stacks, too. That means they need to integrate with more solutions across the organization — and they need to do so easily and quickly.

As a result, marketers are demanding more from their CDPs. Integration with more third-party solutions shot up from the No. 4 improvement marketers want in their CDPs in our 2020 report to No. 1 in the 2021 report.

Unfortunately, many marketers feel their existing solutions aren't delivering. Almost two-thirds (62%) of respondents said it's difficult to integrate new third-party solutions into their martech stacks. And 63% said they have struggled to achieve marketing goals due to the difficulty of integration since March 2020.

"Marketers are demanding more from their CDPs."

Top 4 improvements organizations would like in their CDPs

2020 2021

Ranking	#4	#3	#2	#1

Integration with more third-party solutions				**+3**
Better data governance				
More real-time functionality			**-2**	
Better customer service		**-1**		

A barrier to cross-compatibility

When it comes to more and faster third-party integrations, one major barrier stands in marketers' way. A majority (53%) of marketers strongly agreed that their martech stacks are walled gardens — meaning they consist mostly of solutions from one vendor that are designed to work together. Products that are part of a walled garden will almost always have limited cross-compatibility with third-party solutions.

It's no surprise that many marketers are actively seeking new solutions that won't limit their options: Seventy percent said they've discussed adapting their martech stack to incorporate third-party solutions more easily.

"It's no surprise that many marketers are actively seeking new solutions that won't limit their options."

53% Marketers who strongly agreed that their martech stacks are walled gardens

Key takeaway

With marketers under pressure to do more with less, speed and efficiency are at a premium. Marketers need to be able to integrate new solutions into their martech stacks fast. Unfortunately, tools that are part of walled gardens — including some CDPs — can't deliver the fast, seamless integrations marketers need.

Recommendation
It's time for marketers to break out of their walled gardens. Look for a vendor-neutral CDP that will integrate quickly and easily into your existing martech stack, and also work with any new solutions you add to the stack later. By building the stack you want based on your organization's particular needs — not the options available from one particular vendor — you'll take the first step toward unlocking the full power of your customer data.

Data privacy will be a top solution area for CDPs in 2021

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The passage of CPRA kept data privacy top of mind for marketers in 2020. In 2021, they'll look to CDPs to manage constantly evolving regulations.

The changing privacy landscape

Data privacy regulations continued to evolve rapidly during the COVID-19 pandemic. Some organizations are still getting up to speed with the California Consumer Privacy Act (CCPA), which went into effect on January 1, 2020, just months before the pandemic hit and derailed marketing budgets. Now they must also address CPRA, which passed in November 2020 and amends and expands CCPA.

Marketers realize that managing these new regulations — on top of existing data privacy rules like HIPAA — requires the use of sophisticated tech solutions. Data privacy protection was the top outcome marketers are looking to drive with technology in 2021.

"Marketers realize that managing these new regulations requires the use of sophisticated tech solutions."

Top 3 outcomes marketers are looking to drive with tech in 2021

64%
Better protections for customer data privacy

53%
Faster acquisition of new customers

48%
More personalized communications with customers

A powerful tool for ensuring privacy

CDPs are uniquely suited to meet marketers' need for greater control over customer data. For example, by enabling the management of data flows based on geography, CDPs support compliance with data privacy rules for different states and countries. Powerful encryption and data recovery capabilities secure sensitive information against breaches and cyberattacks. And these are only some of the ways CDPs help keep customer data safe.

"CDPs are uniquely suited to meet marketers' need for greater control over customer data."

7 powerful data privacy capabilities of CDPs

✓	**Offer easy opt-in and opt-out options to customers**
🔒	**Propagate and act on customer privacy preferences in real time**
☁	**Encrypt data in storage and in transit**
🎛	**Enable total control over how customer data may be accessed and used**
	Give visibility into data flows and manage them based on geography
⊞	**Access extremely large datasets quickly and easily**
🗄	**Recover data from backup sources as needed**

It's likely that marketers will rely even more heavily on CDPs for data privacy controls in the future. Marketers who have CDPs agree that data privacy is the most important area for the technology to address, narrowly edging out predictive insights and customer acquisition.

"Marketers who have CDPs agree that data privacy is the most important area for the technology to address."

Top 3 solution areas that are most important for a CDP to address

62%   Data collection and privacy

61%   Customer analytics and predictive insights

59%   Growth and customer acquisition
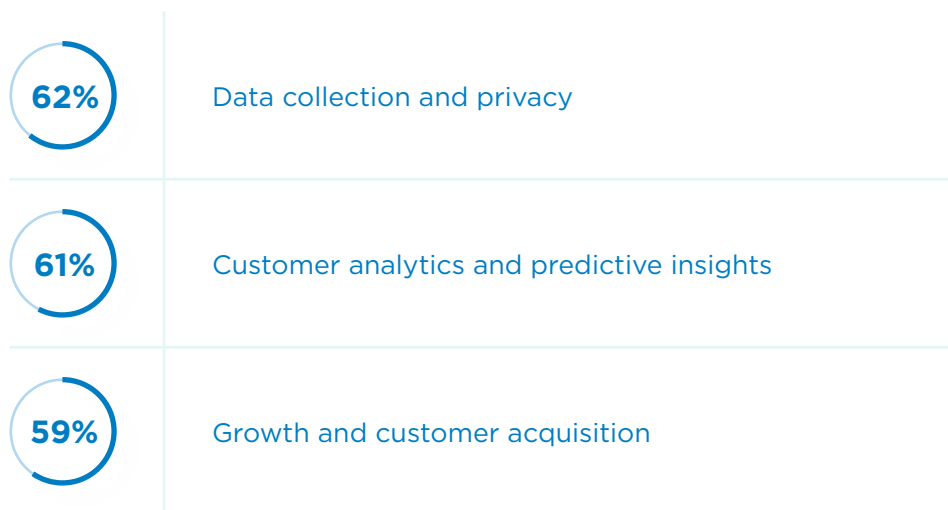
Key takeaway

Data privacy has continued to be a top priority for marketers even during the disruption of the COVID-19 pandemic. The passage of new legislation and ongoing consumer concern has helped keep the issue top of mind. Marketers recognize CDPs as an important tool for ensuring compliance with data privacy rules and keeping customer data safe.

Recommendation
To keep pace with the evolving privacy landscape, look for a CDP that helps you manage changing rules with built-in capabilities like consent management and data encryption. The right CDP will help you comply with today's legislation while also giving you the agility to address new rules in the future.

Marketers need CDPs with **user-friendly** predictive capabilities

The need to deliver great customer experiences more quickly is putting the pressure on marketers to leverage AI and machine learning capabilities.

AI is key to 2021 marketing strategies

The pandemic has made delivering great digital customer experiences — and doing so efficiently, at low cost — more important than ever. To keep up with the competition, marketers must predict customer behavior and take proactive action to drive the outcomes they want. And that means effectively deploying AI and machine learning to generate predictive insights. Fifty-nine percent of respondents say AI capabilities are extremely important for achieving their marketing priorities for 2021, and 99% say they're at least somewhat important.

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"The pandemic has made delivering great digital customer experiences — and doing so efficiently, at low cost — more important than ever."

59% Respondents who say AI capabilities are extremely important for achieving their marketing priorities for 2021

3 use cases for predictive insights based on customer data

01 Target those cart abandoners who are most likely to come back and buy

02 Increase engagement with customers who are most likely to become high value

03 Identify targets who are unlikely to convert and exclude them from campaigns

Closing the AI expertise gap

CDPs are the foundation of AI and machine learning capabilities because they help ensure the data that is collected is complete and accurate, which is critical for AI and machine learning to be effective. Marketers already understand this: Customer analytics and predictive insights is the second most important solution area they want CDPs to address (see Section 03). Many marketers are already seeing AI success. A majority (62%) say their organizations are very effective at deploying AI for predictive marketing insights.

However, gathering the right data to feed AI and machine learning algorithms isn't trivial. And while marketers are mostly confident about their ability to build the data foundations necessary to deploy AI, not all feel like they have the right expertise. Among respondents who say their organizations aren't very effective at deploying AI for predictive marketing insights, the top reasons are lack of expertise among marketers (30%) and IT (29%). It's likely building the data skills and capabilities necessary to support machine learning and AI will be a major focus for marketers in 2021.

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"Customer analytics and predictive insights is the second most important solution area [marketers] want CDPs to address."

Key takeaway

AI will be an important growth area in 2021, as many marketers are still learning the ropes. The right CDP will help you close the expertise gap both by ensuring you collect the right set of complete, unified customer data and by offering built-in predictive capabilities that are easy for non-data-scientists to use.

Recommendation
Without the right customer data, no algorithm can deliver results. Look for a CDP that will help you build a strong data foundation for AI and machine learning by collecting and orchestrating the right datasets for your business. Adopting a CDP with easy-to-use, marketer-friendly data and machine learning capabilities will help you make smarter marketing choices and drive overall success in 2021.

Marketers still struggle to quantify CDP ROI

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The growing complexity of the martech stack makes it more difficult to quantify CDPs' impact on revenue and also lengthens time to value.

The elusive revenue connection

In 2020, CDPs became more integral to marketing operations and data teams, addressing more use cases, incorporating more data and linking to more third-party tools across organizations. This has made it even more difficult to quantify CDP ROI, since impact is diffused across so many solution areas. It's no surprise, for example, that organizations still struggle to quantify CDPs' impact on revenue: Just 7% of organizations measure CDP ROI based on revenue, the same percentage as in the 2020 report.

In the 2020 report, respondents cited data quality as their top way to measure CDP ROI, which isn't ideal. Data quality is important, but hard numbers about monetary impact are key for securing leadership buy-in. The 2021 report data shows that marketers have made some progress tying CDPs to operational savings, which is now the No. 1 way to measure CDP ROI, up from No. 2 in the 2020 report.

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"Just 7% of organizations measure CDP ROI based on revenue, the same percentage as in the 2020 report."

Top 3 ways to measure ROI of CDP

2020 ▢ 2021 ▨

Ranking	#3	#2	#1

Operational savings	+1
Data quality	-1
Customer experience	
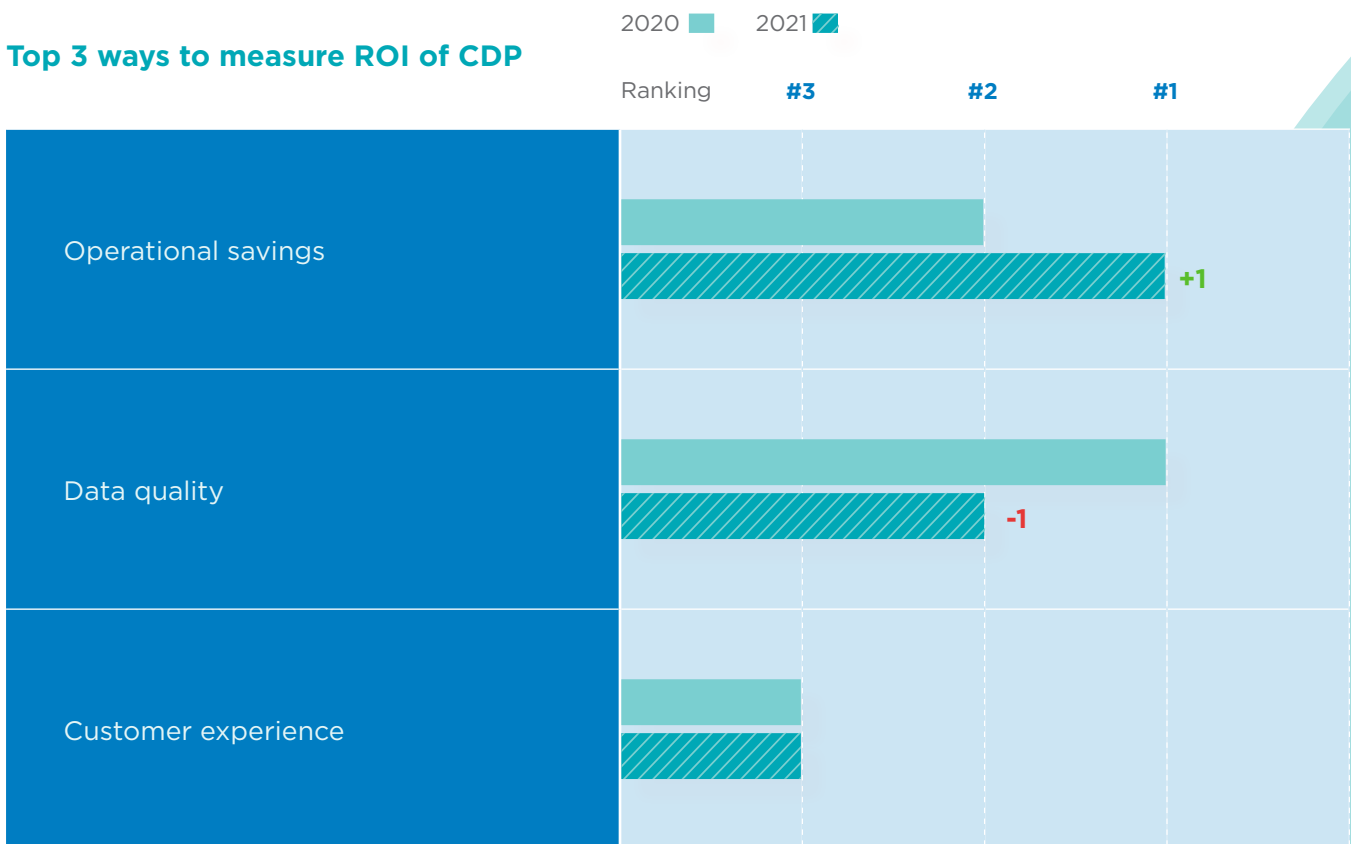
Time to value is a major differentiator

Perhaps due to the increasing sophistication of ROI measurement, or the difficulty of integrating CDPs with the martech stack, average time to value for CDPs has increased. In the 2020 report, more than half (53%) of companies saw ROI from their CDP in six months or less. But in the 2021 report, less than one-third (30%) of companies did so.

A majority (57%) of marketers expect to see ROI from martech solutions within six months or less. That means only some CDPs are meeting marketers' expectations for time-to-value — the rest are lagging behind, possibly due to slow integrations.

"Only some CDPs are meeting marketers' expectations for time-to-value — the rest are lagging behind, possibly due to slow integrations."

53% 2020 respondents who saw ROI from their CDP in six months or less

30% 2021 respondents who saw ROI from their CDP in six months or less

Key takeaway

Measuring CDP ROI remains a challenge, but marketers are making strides toward quantifying the dollar value of their investment in the technology. However, only some CDPs deliver that value in a timeframe that meets expectations.

Recommendation
To accelerate ROI, adopt a vendor-neutral CDP that makes integration with existing marketing solutions faster and easier. The more quickly you're able to set up your CDP, the more quickly you'll see results.

The CDP of the future

CDPs are a relatively new technology, and marketers are still working out which use cases make the most sense for them. But in 2020, marketers made significant progress toward more effectively integrating CDPs into their marketing operations.

CDPs were central to solving the biggest challenges of 2020, including budget cuts, new data privacy legislation and a sudden shift to digital channels due to the COVID-19 pandemic. The prospect of third-party cookie loss in particular brought CDPs to the fore: A first-party data strategy anchored by a CDP used to be "nice to have" — in 2020, it became absolutely vital for marketing success.

In 2021 and beyond, CDPs will be increasingly foundational to the martech stack. They'll adapt flexibly to new regulations, continue to underpin customer acquisition and retention strategies and enable powerful AI and machine learning capabilities. To set themselves up for success, marketers should look for CDPs that:

- **Are vendor-neutral:** Faster, easier integration will speed time to value and increase overall ROI.
- **Offer predictive insights:** User-friendly AI capabilities will empower marketers to deliver standout customer experiences.
- **Protect data privacy:** Capabilities like data encryption and consent management keep organizations compliant with regulations like CPRA.

After the challenges of 2020, now is the time for marketers to plan strategically for the future by investing in tech. Equipped with the right CDP, marketers can make 2021 a record-breaking year for their businesses.
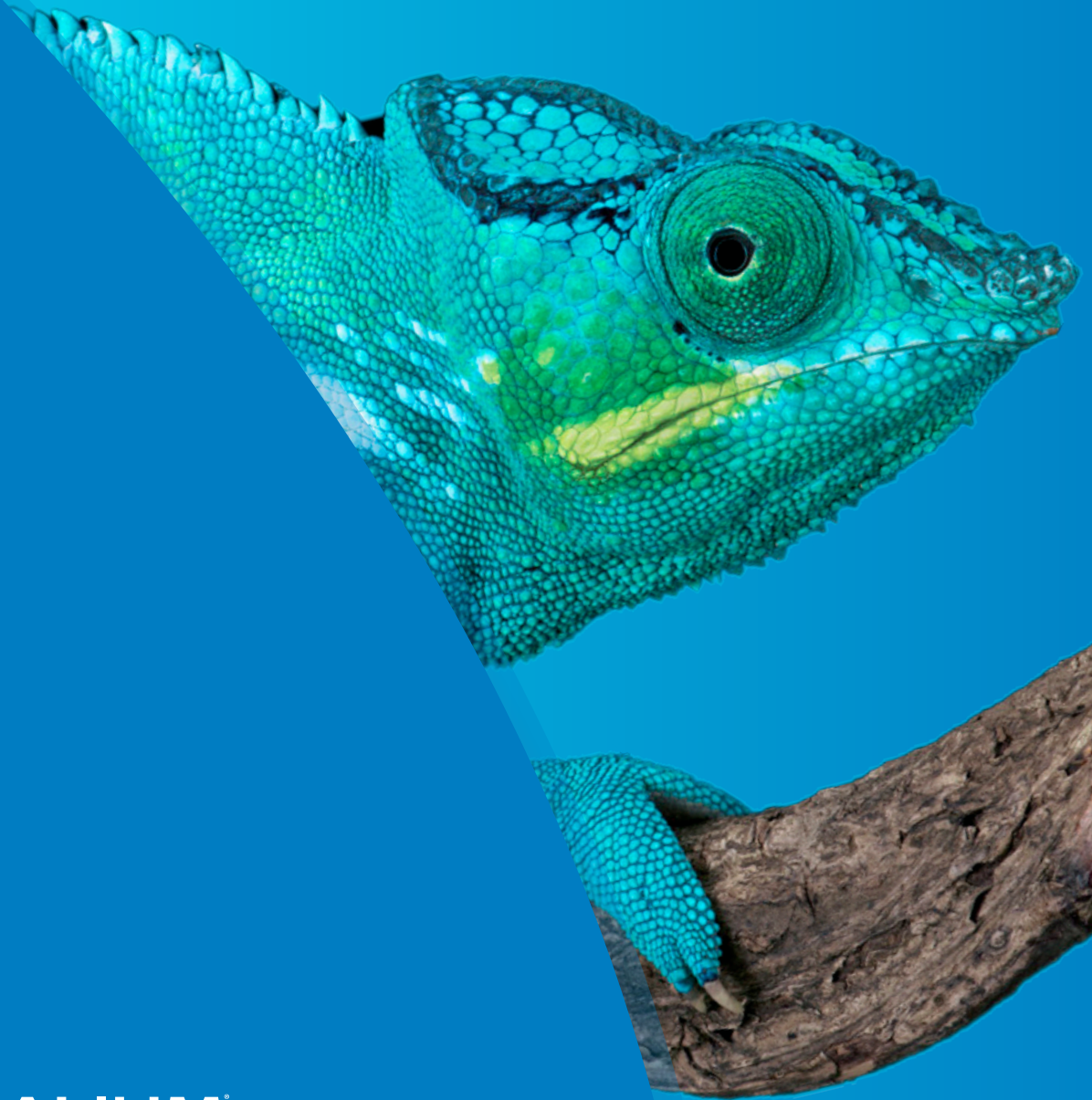
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