2021 FALL

CUSTOMER ENGAGEMENT REPORT

Operationalizing Data to Power in-the-Moment Experiences

Contents

EXECUTIVE
SUMMARY

Since our last edition of the Customer Engagement Report, vaccines have become widely available, offering a sense of hope amid the COVID-19 pandemic. It's no surprise that the fast-paced, digital-first customer expectations that erupted from last year's events are here to stay. The most captivating experiences from brands have quickly become customers' new expectations. More than that, the pressure of growing privacy implications has become more evident, as organizations scramble to align on compliant practices.

This pressure has further heightened the need to collect first-party data, identify customers, and use that data to power next-level experiences in a privacy-safe way.

Merkle wanted to know how marketers are responding today, to what extent, and what strategies they were prioritizing. To do this, we conducted a study to find the answers laid out in this 2021 Customer Engagement Report. We surveyed 600 marketing, analytics, and technology executives of major brands ($100 million+ USD in annual revenue) from the US and the UK on how their companies are dealing with today's issues and what opportunities they are pursuing. This report discusses findings and insights from the survey and provides Merkle's point of view on how brands can succeed in the near future by collecting the right data to power selected use cases and activating it within its marketing strategy.

The case study featured in this issue explores how a major grocery store company, successfully implemented a customer data platform, ramped up actionable use cases to quickly build powerful audiences and customer journeys, and quickly gained return on its investment.

Craig Dempster

IDENTITY AND CONSUMER DATA ENRICHMENT CAPABILITIES ARE KEY

Organizations have had to adapt their day-to-day operations to ensure safety and compliance within local restrictions. As GDPR-like regimens loom around the world (including the US, as the California Consumer Privacy Act (CCPA) is indicating), organizations should take note from the actions being taken in Europe, which is leading the way. This is already happening on the state level in the US with Virginia's Consumer Data Protection Act (CDPA), which goes into effect in 2023. For many sectors, this has led to a shift in how brands interact and transact with customers, even within a face-to-face engagement. Further, the pandemic has changed customer expectations going forward, as heavily impacted brands had to translate their business models online while keeping engagements with customers personal and connected.

This shift presents an opportunity to better identify known and unknown customers in a privacy-safe way and to alter the way brands utilize customer data to power in-the-moment experiences. Industries that were not impacted by the pandemic should learn from those who were quick to make this change and are now succeeding. It may be in their best interest to continue with a digital and offline identity strategy.
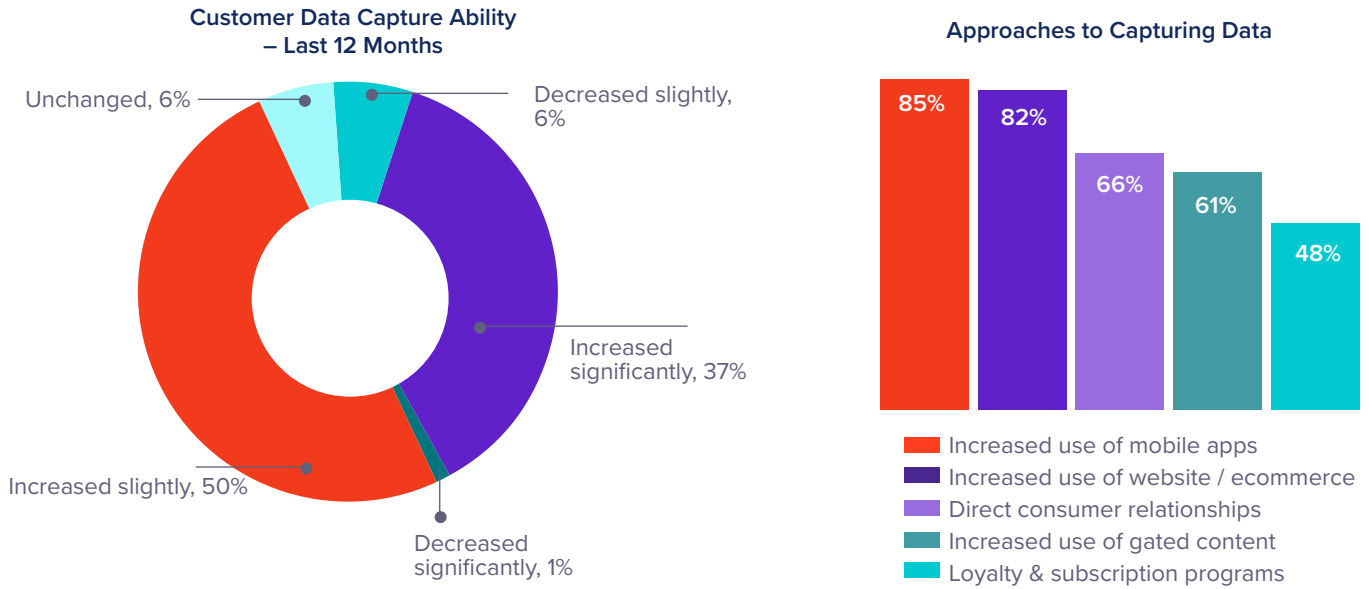
IDENTITY FOR FOUNDATIONAL KNOWLEDGE

Because of these changes, identity resolution (the task of linking across your known and unknown customers and prospects) has become a coveted and must-have capability for organizations today. This is also the starting point needed to operationalize your data, as first-party data collection is critical to fuel identity. Brands have always strived to maximize the number of known versus anonymous customers. But now, this is more important than ever, as the third-party cookie will soon become an unreliable tracking option, and as anticipated privacy restrictions tighten.

In fact, 37 percent of respondents said that the ability to capture customer data has increased significantly in the past 12 months (Figure 1), with mobile app and website/ecommerce leading the way as key drivers of capturing data.
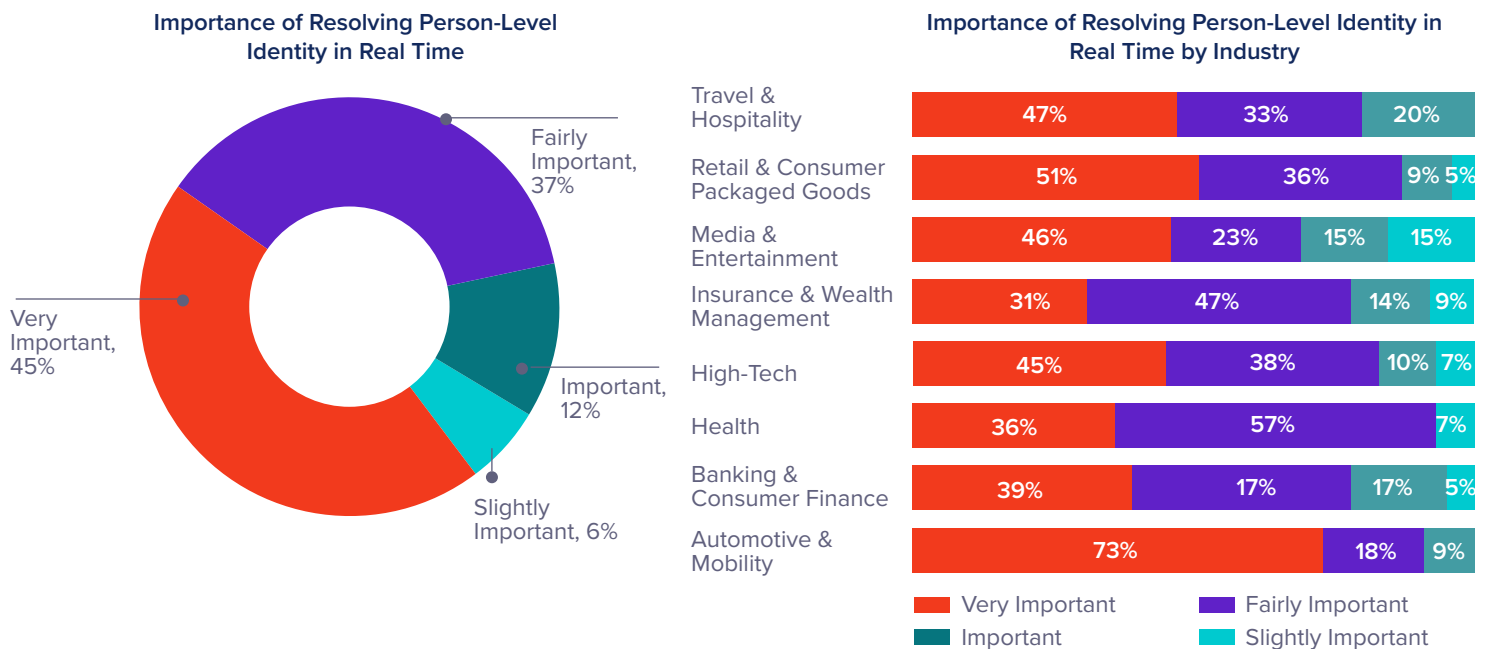
37% *of respondents said that the ability to capture customer data has increased significantly in the past 12 months.*

Figure 1: How has your ability to capture customer data changed in the past 12 months? Which of the following approaches have you introduced to capture customer data?

Customer Data Capture Ability – Last 12 Months

- Unchanged, 6%
- Decreased slightly, 6%
- Increased significantly, 37%
- Increased slightly, 50%
- Decreased significantly, 1%

Approaches to Capturing Data

- 85%
- 82%
- 66%
- 61%
- 48%

- Increased use of mobile apps
- Increased use of website / ecommerce
- Direct consumer relationships
- Increased use of gated content
- Loyalty & subscription programs

Organizations need to care about identity resolution, because your customers demand that you understand who they are, especially if they are dedicated to your brand. According to Figure 2, 82 percent of respondents across industries indicated that resolving personal-level identity in real time is fairly or very important for them.

Figure 2: How important is resolving person-level identity in real time?

Importance of Resolving Person-Level Identity in Real Time

- Fairly Important, 37%
- Very Important, 45%
- Important, 12%
- Slightly Important, 6%

Importance of Resolving Person-Level Identity in Real Time by Industry

Industry	Very Important	Fairly Important	Important	Slightly Important
Travel & Hospitality	47%	33%	20%	
Retail & Consumer Packaged Goods	51%	36%	9%	5%
Media & Entertainment	46%	23%	15%	15%
Insurance & Wealth Management	31%	47%	14%	9%
High-Tech	45%	38%	10%	7%
Health	36%	57%	7%	
Banking & Consumer Finance	39%	17%	17%	5%
Automotive & Mobility	73%	18%	9%	

- Very Important
- Fairly Important
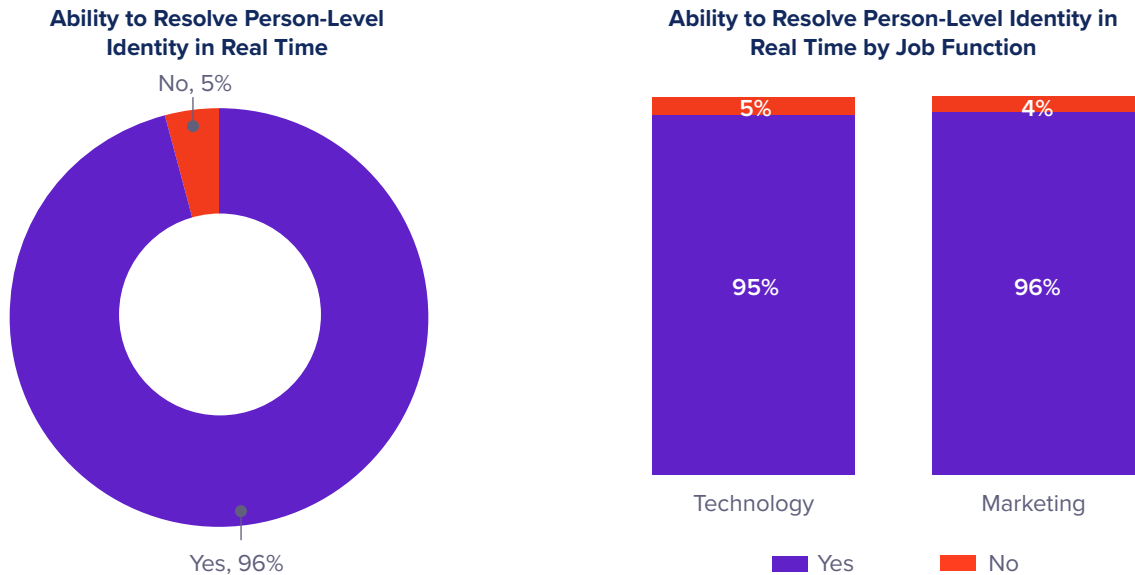- Important
- Slightly Important

But it's not a one-sided coin. Your customers expect to see value in exchange for their data, but that value isn't always present. Ensure that you are thinking about what value means for your customers. This could be in the form of free gated content, discounts and coupons, or loyalty points. By connecting those customer experiences to your customer identities, this accelerates the ability to examine and learn from customer interactions with your brand.

The path to full scale identity resolution takes hard work: the ability to think through the different ways customers are interacting with your brand, how they are being identified at each touchpoint, and how engagements attached to that identifier will be brought back to a "source of truth" and resolved to update the customer's profile.

Our survey respondents seem to be ahead of the curve. Ninety-six percent indicated being able to resolve person-level identity in real time (Figure 3). However, being able to resolve identity is just the first step. From here, you need a strategy and to derive insights into action. Keep reading for more on this later.

Figure 3: Are you able to resolve person-level identity in real time?

Ability to Resolve Person-Level Identity in Real Time

No, 5%

Yes, 96%

Ability to Resolve Person-Level Identity in Real Time by Job Function

	5%		4%
	95%		96%
	Technology		Marketing

Yes   No

96% *indicated being able to resolve person-level identity in real time.*

COLLECT THE RIGHT DATA TO MEET YOUR GOALS

Data collection will vary across industries and is not the same for every organization. When thinking about your identity strategy, take a step back and think strategically about the experiences you want to put into place and the data needed to make it happen. Once you understand the data that is necessary to collect, development of a compelling value exchange is necessary, as discussed earlier. When you have rich first-party data, you can leverage that data for more compelling and personal messaging.

Broad data collection isn't helpful and can create real risk, as consumers around the world now have the right to see and even delete their data. If you don't have an efficient system for compliant customer lookup and erasure, this could be a real problem. Not only can it be risky, but for your customers, it can be annoying to be asked for excessive amounts of data that will never be used. For example, if a coffee shop chain asks for your birthday, but doesn't send a gift or discount on your birthday, what is really the point?

REAL-TIME ACTIVATION IN ACTION

Real-time capabilities to activate your data may be inherently increasing as part of operational shifts; however, it is equally important that brands can resolve customer identity, update customer profiles in real time, and make decisions so in-the-moment interactions can be orchestrated and activated on quickly. To show this activation in action, let's say a customer logs into a transportation company's app and buys a train ticket. On a previous trip, this customer purchased coffee at the train stop's snack bar. When the day of the trip arrives, the customer's train is delayed. The company decides to send out an apologetic message through the app, with a discount for coffee at the snack bar to make the delay more bearable.

These real-time interactions don't happen overnight. Start small with what you have to gain quick wins. From there, you can further understand the data you need to collect to build more complex experiences and leverage attributes like customer preferences and other, more personal, data attributes that you have within your customers' profiles.

If you don't have an identity capability, your first step is to have a technology consultation (Figure 4) with an agency to understand your level of maturity today, and to decipher what technology is right for your organization.
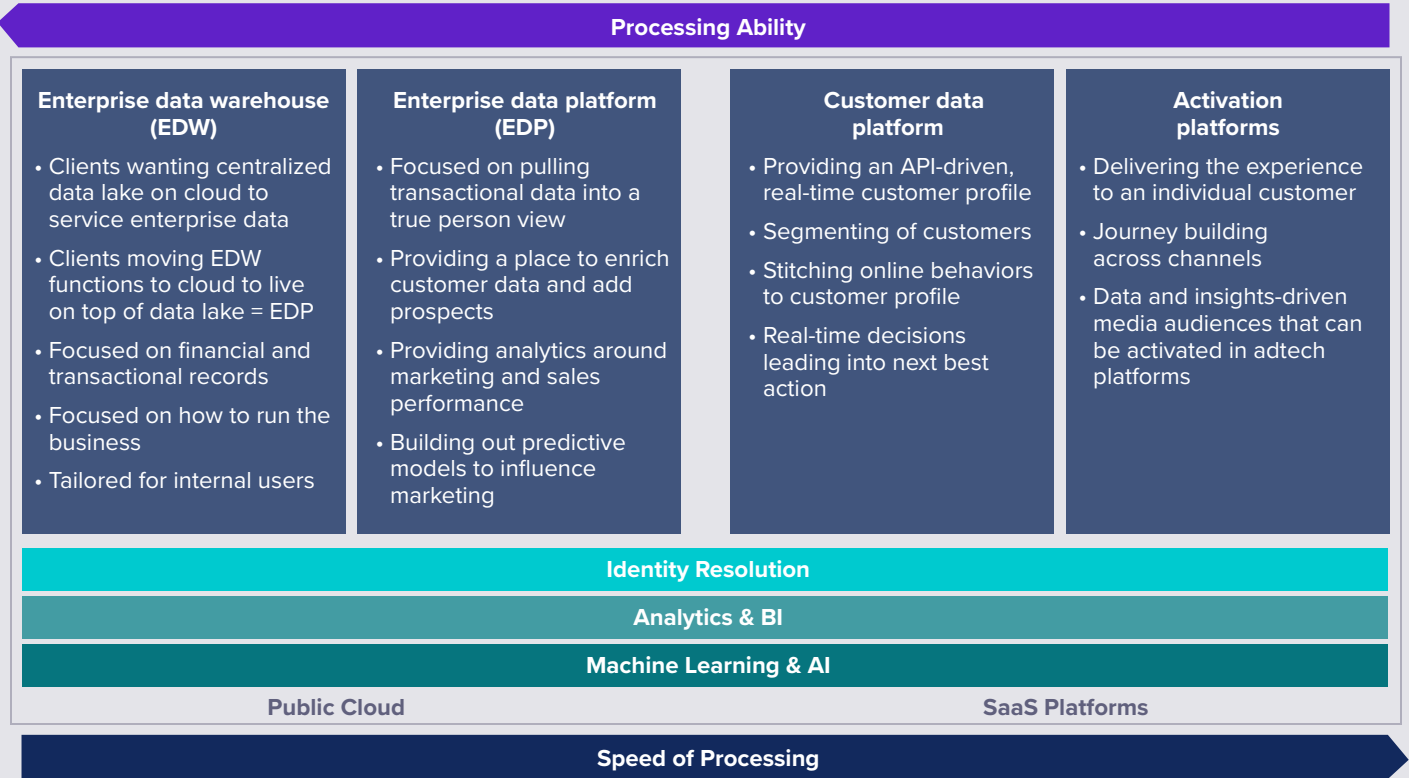
Figure 4: Steps of Technology Consultation

01

Discovery

—

Understand the current state of identity, technology, operating environment, and vision

02

Impact and Readiness Assessment

—

Provide a detailed assessment of the existing approach

03

Action Plan and Education

—

Create a plan for implementing the initiatives

CRITICAL COMPONENTS FOR OPERATIONALIZING

Operationalizing this process can be a chicken and egg situation: you need the right data to fuel experiences and use cases, as well as the tech as the engine. If you have one but not the other, you're going nowhere. Figure 5 depicts the technology you need in place. But to truly operationalize data, you need organizational support from stakeholders to give the green light and an aligned strategy to make the right moves. Each component is different and equally important, providing key aspects to effective integration.

Figure 5: The Data Platform Ecosystem

Processing Ability

Enterprise data warehouse (EDW)
- Clients wanting centralized data lake on cloud to service enterprise data
- Clients moving EDW functions to cloud to live on top of data lake = EDP
- Focused on financial and transactional records
- Focused on how to run the business
- Tailored for internal users

Enterprise data platform (EDP)
- Focused on pulling transactional data into a true person view
- Providing a place to enrich customer data and add prospects
- Providing analytics around marketing and sales performance
- Building out predictive models to influence marketing

Customer data platform
- Providing an API-driven, real-time customer profile
- Segmenting of customers
- Stitching online behaviors to customer profile
- Real-time decisions leading into next best action

Activation platforms
- Delivering the experience to an individual customer
- Journey building across channels
- Data and insights-driven media audiences that can be activated in adtech platforms

Identity Resolution

Analytics & BI

Machine Learning & AI

Public Cloud   SaaS Platforms

Speed of Processing

When building your strategy, think about the capabilities you want to put into play. As an example, of the organizations that can now collect customer data in real time, the top capabilities implemented are marketing audience distribution (80%) and data unification (76%) (Figure 6).

Figure 6: Which of the following new capabilities have you implemented in the past year?

| Capability	Percentage
Real-time decisioning	53%
Site audience distribution	61%
Media audience distribution	62%
Data unification	76%
Marketing audience distribution	80%

NEW CHANNELS BRING NEW CHALLENGES: RESOLVING SILOED DATA

Online and offline interactions are becoming less distinct, due to changes in the way brands operate. This presents a huge opportunity to resolve customer identity across all interactions — but only if data is not stored in silos.

The pandemic has driven an increased use of online interaction, and with it has come an uptick in the number of owned accounts, such as loyalty program access and memberships with organizations. As a result, logins and online interactions are much easier to track. A rapid shift from in-person customer contact to virtual contact has created a wealth of data in new platforms, but integrating this with existing systems is becoming an urgent requirement.

Ninety-four percent say they have implemented integrated/real-time capabilities to support a rapid shift to online customer contacts instead of in person (Figure 7).

Figure 7: Have you implemented fully integrated contacts, rather than in person?

No, 6%

Yes, 94%
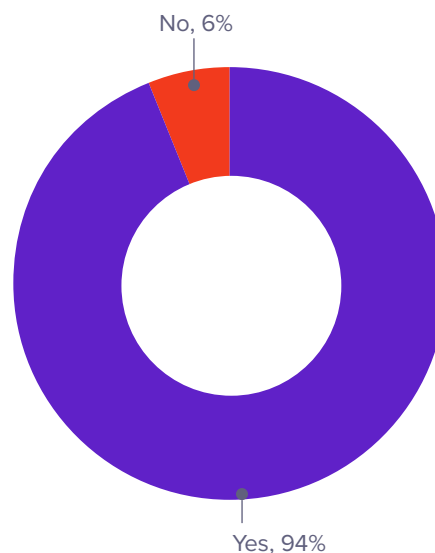
However, this brings up an even deeper issue of data silos, as this is where many organizations often fall short. While data collection is increasing with the influx of online interaction, teams around the organization have no single unified place where the data lives, and thus, the barriers of siloed data can often exist. A common data layer is important to enable data connectivity from across the enterprise. Here, the organization's first-party data is unified to a

common definition and is not excluded, but conformed to a common definition for centralization.

To break the seemingly unending cycle of siloed data, organizations must come together and put an intersection in the road to create a centralized place to unify data within a common data layer. For some, that may be in a CDP, a cloud-based database, etc. to create a single customer profile that can be updated the moment actions are taken. This helps to ensure that experiences being presented are personal and timely (down to the second).

Thirty-six percent say they have fully executed customer data centralization and identity strategy across the enterprise and are now in the process of improving it (Figure 8).
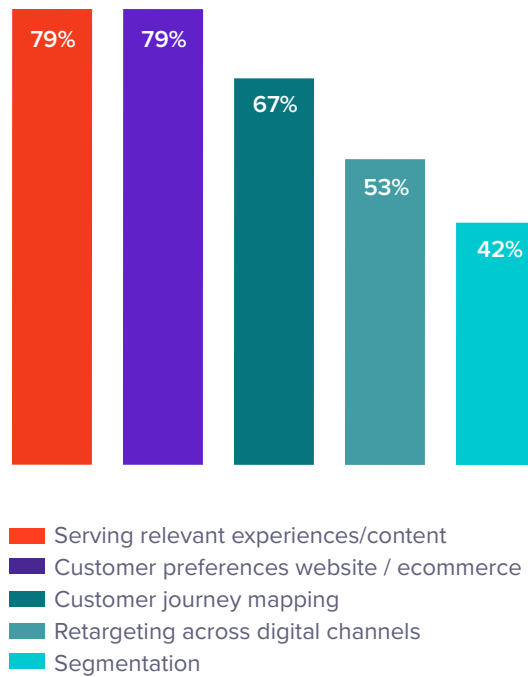
Figure 8: Do you have a data and customer identity strategy to help better serve customers and prospects and maximize value from the data?

Optimizing	36%
Fully executed	29%
Partially executed	24%
Planning to implement	11%
Not at the moment	1%
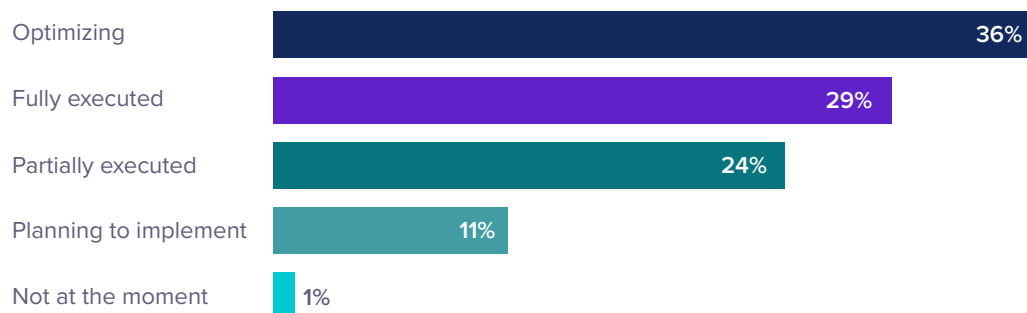
USING IDENTITY TO INFLUENCE INNOVATION

Brands that don't typically "own" the customer relationship are using identity to drive insights for better consumer understanding and influence product development and innovation. As illustrated in Figure 9, only 42 percent say they are thinking about their identity strategy to inform segmentation efforts, with 79 percent saying that they are looking for identity to inform customer preferences and to serve relevant content and experiences to drive conversations.

Figure 9: Which aspects of marketing process does/will your identity inform?

■ Serving relevant experiences/content
■ Customer preferences website / ecommerce
■ Customer journey mapping
■ Retargeting across digital channels
■ Segmentation

At best, identity efforts should be used to collect the right data to activate and meet your experience goals. From there, it can be used to narrow segmentation efforts and bolster customer profiles for personal and valuable experiences for your customers, creating more loyal advocates for your organization.

79% *say that they are looking for identity to inform customer preferences and to serve relevant content and experiences to drive conversations.*

MAXIMIZING YOUR CDP
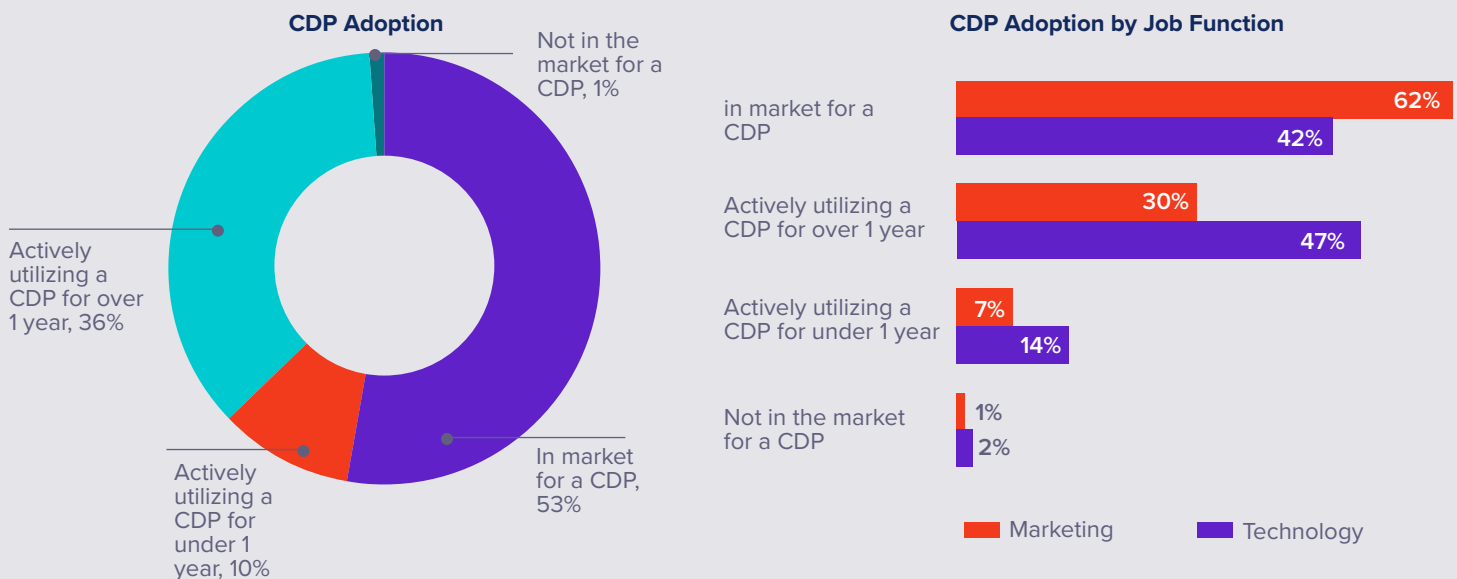## REQUIRES ORGANIZATIONAL ALIGNMENT AND CLEAR GOALS

Customer data platforms (CDPs) have come into the market to simplify the technology set-up required for building a unified consumer view and activating it across channels. The CDP provides access to a single customer profile that teams across the organization, such as marketing, sales, commerce, and service, can access. It is a hub for customer profiles that are updated in real time, housing core data attributes, segments, and preferences.

Once a common data layer is in place, CDPs help organize the collection and unification of customer data being gathered across all channels, structuring data into individual customer profiles. They offer marketers the ability to then access that data in real time to utilize within marketing efforts. With better organized and consolidated data, marketers can quickly and more easily operationalize data to build specific targeted audiences for better personalization of offers and messaging across the customer journey.
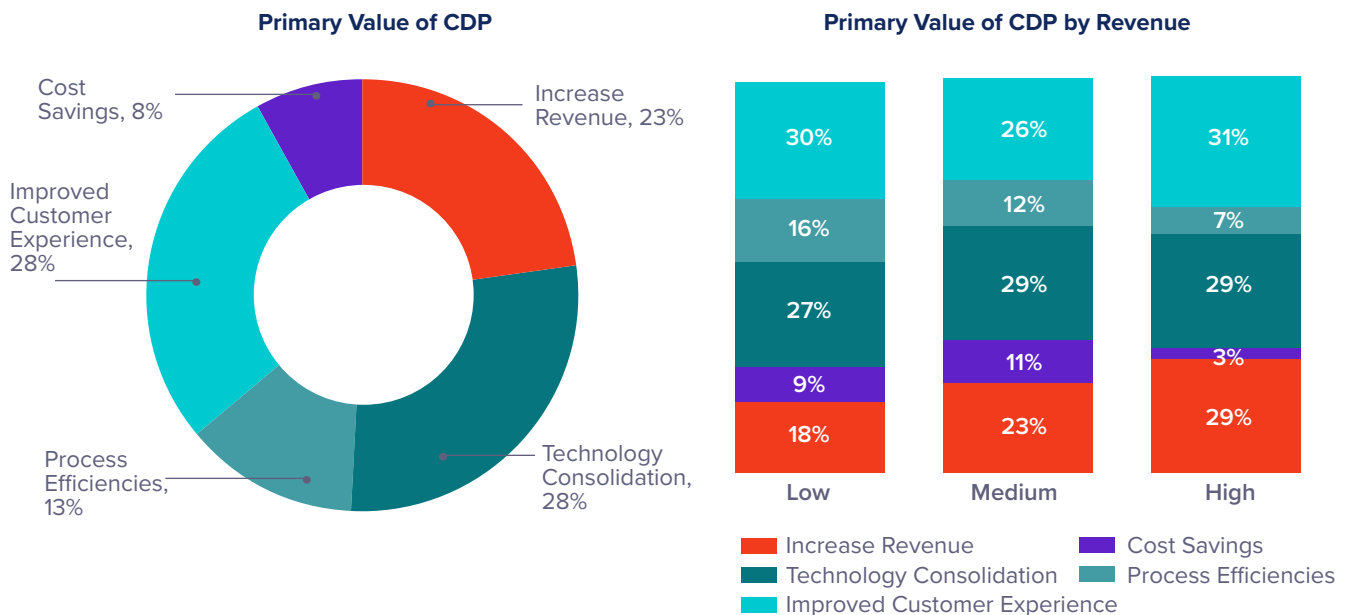
HOW CDPS ARE BEING VIEWED AND UTILIZED

While the platforms are still in the early stages, organizations are starting to consider them as a next step, or they have already implemented a CDP. In fact, 36 percent have been actively utilizing a CDP for over a year, and 53 percent are currently in the market for a CDP (Figure 10).

Figure 10: What is your experience working with customer data platforms (CDPs)?

CDP Adoption

- Not in the market for a CDP, 1%
- Actively utilizing a CDP for over 1 year, 36%
- Actively utilizing a CDP for under 1 year, 10%
- In market for a CDP, 53%

CDP Adoption by Job Function

	Marketing	Technology
in market for a CDP	62%	42%
Actively utilizing a CDP for over 1 year	30%	47%
Actively utilizing a CDP for under 1 year	7%	14%
Not in the market for a CDP	1%	2%

For some, this option brings hope of a holy grail solution to help with data management and audience segmentation and to bring new capabilities to the toolbelt. But others are more hesitant, as they have been through the hype cycle, and new technologies have over promised and underdelivered (e.g., the cookie-based data management platforms (DMPs) that are now being retired as third-party cookies become an unreliable tracking source). The truth is that there are many different CDPs in the market that can cater to specific needs of your organization. The primary value of the CDP can vary based on your organization's goals. Some of the common expected value adds include technology consolidation, improved customer experience, and increased revenue (Figure 11).

Figure 11: What is the primary value the CDP is expected to deliver?

Primary Value of CDP

Cost Savings, 8%
Improved Customer Experience, 28%
Process Efficiencies, 13%
Increase Revenue, 23%
Technology Consolidation, 28%

Primary Value of CDP by Revenue

	Low	Medium	High
Improved Customer Experience	30%	26%	31%
Process Efficiencies	16%	12%	7%
Technology Consolidation	27%	29%	29%
Cost Savings	9%	11%	3%
Increase Revenue	18%	23%	29%

Increase Revenue   Cost Savings
Technology Consolidation   Process Efficiencies
Improved Customer Experience

Critical to ensuring successful implementation is the alignment of the primary value goals to an organization's use cases. For example, if the goal is to increase customer savings, a relevant use case would be to leverage the CDP to execute audience suppressions. When organizations take this approach, the value they gain from the CDP increases. Specifically, 56 percent utilize the CDP to adopt new customer strategies (Figure 12). CDPs provide organizations with flexibility and scalability to react to new market shifts.

Supported but
no difference in
timings, 29%

Has been the
main pillar, 56%

Somehow, but
no substantial
difference, 9%

Haven't reached
maturity level, 6%
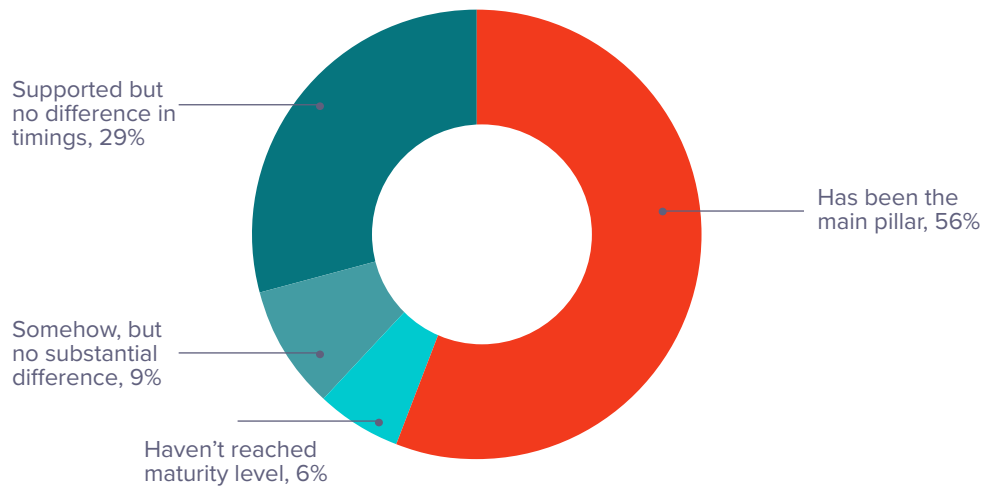
Figure 13: What is your primary functionality of the CDP or rationale for purchasing a CDP?

Data Activation, 4%

Measurement, 2%

Data Enrichment, 11%

Data Consolidation, 59%

Data Collection, 24%
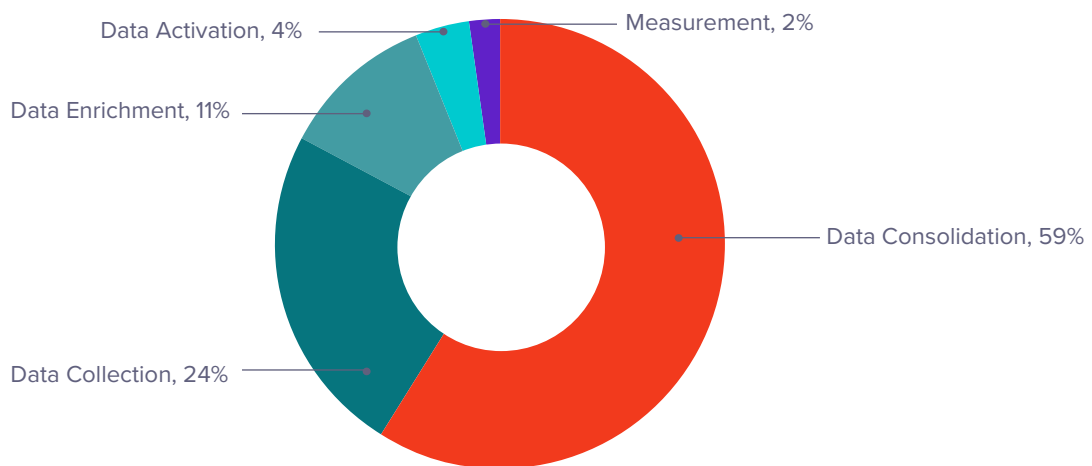
When asked about primary functionality of the CDP, over 50 percent of organizations look to CDPs to consolidate their data (Figure 13). Based on this indication, most users today are simply using the CDP as a database, but not fully utilizing the powerful activation and measurement tools available, which is missing the mark of much of its value. Much of the market confusion about CDPs is because of its breadth of capabilities. But that also leaves ample opportunity for growth and incremental value.

WHAT CDP SUCCESS LOOKS LIKE

Organizations that are finding success with CDPs have not just implemented the technology but have also thoughtfully integrated the platform into their broader technology ecosystems. This integration ensures higher adoption rates and enables you to feed data from the common data layer that we discussed earlier.

Once you've selected the right use cases to meet your goals, make sure you have the right data to act on those use cases within your CDP. Work with your IT team to ensure that the CDP is properly connected to other upstream, existing data sources, such as your CRM or marketing data platforms. A major benefit of most CDPs is that they have out-of-the-box integration to connect first-party data to your email service provider (ESP) or media channels easily, without a heavy lift from IT.

CDPs are great and enable the collection of data that is relevant to marketing activation. However, one of the limitations of CDPs is the number of anonymous profiles it collects. As discussed earlier, an identity resolution strategy helps with this by filling in those gaps, making anonymous profiles known, and making your already known profiles even more robust by updating customer profiles with data as actions happen. These profiles can then be segmented and operationalized within your marketing efforts.

Three percent of organizations have complete customer data in the CDP, with the majority (50 percent of respondents) having 50-70 percent of data in the CDP (Figure 14). Success with CDPs doesn't mean you have to have 100 percent of your customer data within the platform, but instead, the main priority is to have all the right data properly connected to achieve and activate on your selected use cases to avoid silos and blind spots in your customer data strategy.

The main priority is to have all the right data properly connected to achieve and activate on your selected use cases to avoid silos and blind spots in your customer data strategy.

Figure 14: What percentage of the customer data/attributes do you have in the CDP?

- 25%-49%, 16%
- Less than 25%, 2%
- 100%, 3%
- 50%-74%, 50%
- 75%-99%, 29%
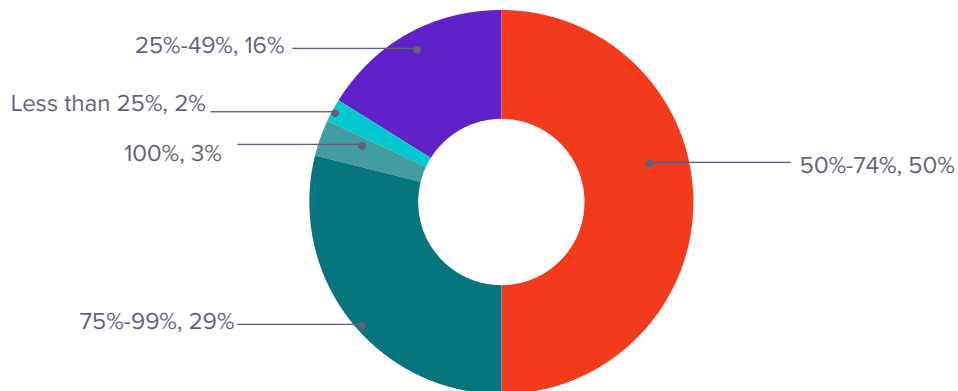
ESTABLISHING CLEAR EXPECTATIONS, USE CASES, AND MEASUREMENT FRAMEWORKS

To meet goals, you must set clear and manageable expectations of what you want to get out of the technology. Use cases should be carefully selected to act against the goals that you want to meet. Measurement frameworks are critical here to justify the cost to show quick return on investment.

When thinking about a timeline for seeing ROI, 37 percent have taken nine months, and 30 percent have taken only six months to get here.

Referring back to organizational hesitancy toward adopting a CDP, it's incredible to see that 97 percent of respondents who have purchased a CDP (280 people) say that it is meeting or exceeding expectations (Figure 15). This should put many potential buyers at ease and reassure them that the vast majority of CDP adoptions are driving value for businesses.

Figure 15: Is the CDP meeting your expectations?

- Not meeting expectations, 3%
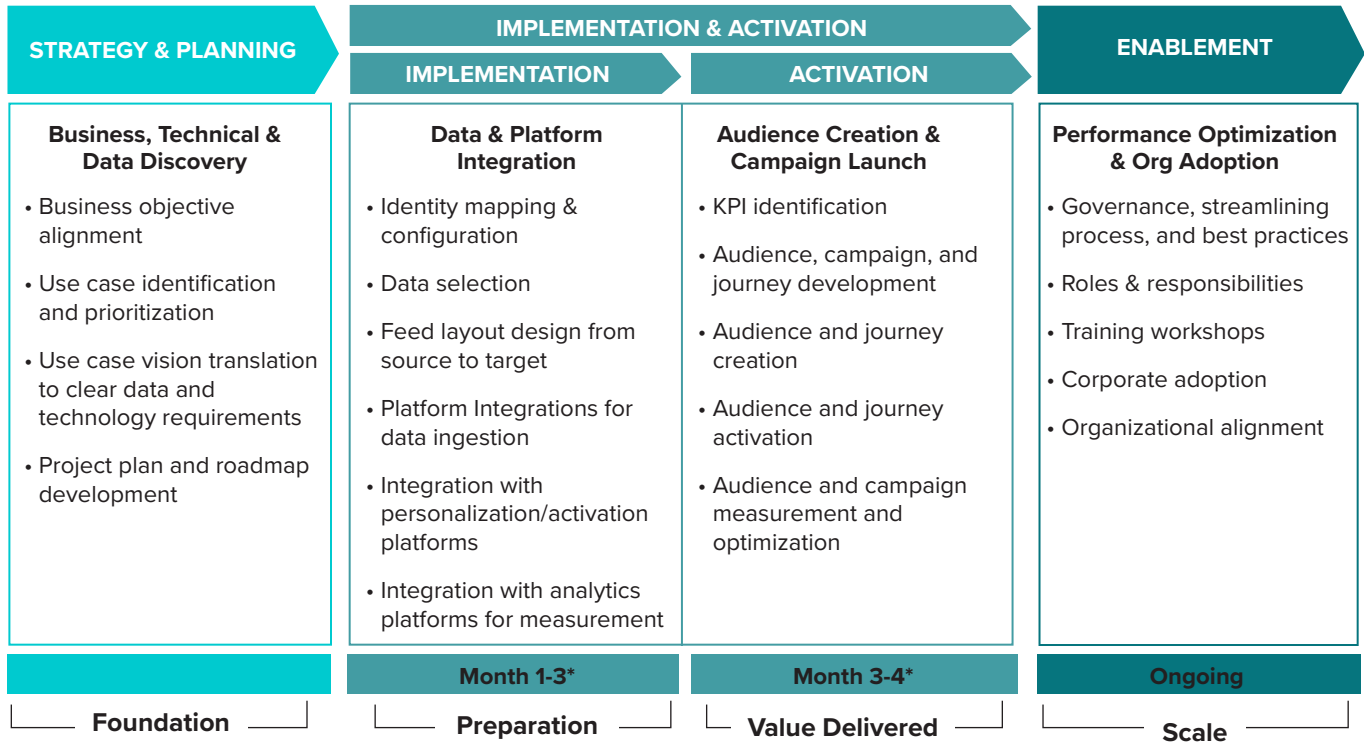- Exceeding, 45%
- Meeting, 52%
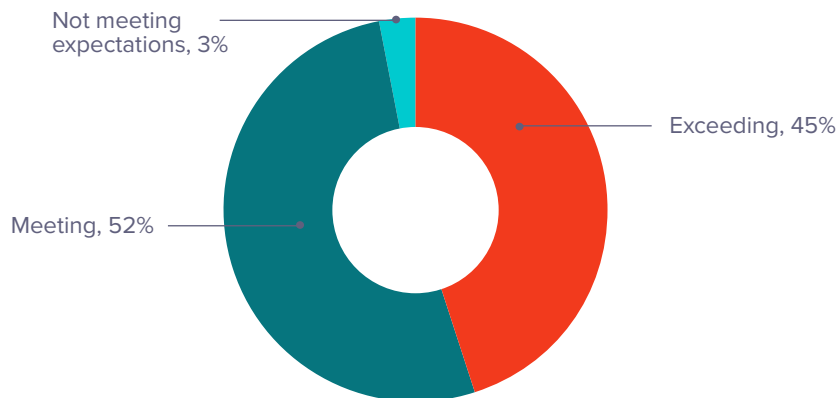
GET THE RIGHT TEAM IN PLACE FOR SPEED AND AGILITY

Customer behaviors are ever evolving, and organizations need nimble technology that can power quick reactions to external responses or business changes. To build agility and react quickly, you need a team that understands the ins and outs of how a CDP functions to help train other team members and gain small wins right out of the gate. Having staff at the helm who are familiar with the tech is vital, so that when things go wrong, they can smoothly transition if needed, help make recommendations, or introduce different or undiscovered capabilities that the CDP may offer as you are ready to scale.

As initial use cases are achieved, teams should delve into the measurement and activation capabilities that can help spot behavioral trends, such as increased online shopping or changes in product preferences. These trends can be powerful tools to help adjust your marketing efforts, including messaging, content, and targeting, and better align or change target use cases as you progress on your CDP journey (Figure 16).

If you've been a part of a marketing database build, you may be used to your vendor partner being a combination of technology implementation and consulting. However, in this case, remember that CDP companies are generally product companies, which means you are less likely to receive the same level of insight, general marketing experience, and guidance directly from a CDP vendor. The right implementation partner can help act as that consultant to navigate challenges, drive priorities, and bring knowledge and experience that will help you avoid pitfalls and drive to value realization. They can also fill in any gaps your team may have to support the CDP and recommend your roadmap forward to ensure success.

Figure 16: The CDP Implementation Journey

STRATEGY & PLANNING	IMPLEMENTATION & ACTIVATION		ENABLEMENT
	IMPLEMENTATION	ACTIVATION	
Business, Technical & Data Discovery	**Data & Platform Integration**	**Audience Creation & Campaign Launch**	**Performance Optimization & Org Adoption**
• Business objective alignment • Use case identification and prioritization • Use case vision translation to clear data and technology requirements • Project plan and roadmap development	• Identity mapping & configuration • Data selection • Feed layout design from source to target • Platform Integrations for data ingestion • Integration with personalization/activation platforms • Integration with analytics platforms for measurement	• KPI identification • Audience, campaign, and journey development • Audience and journey creation • Audience and journey activation • Audience and campaign measurement and optimization	• Governance, streamlining process, and best practices • Roles & responsibilities • Training workshops • Corporate adoption • Organizational alignment
	Month 1-3*	**Month 3-4***	**Ongoing**
Foundation	**Preparation**	**Value Delivered**	**Scale**

CASE STUDY

How a major grocery store company used a CDP to improve CX and operational efficiencies

CHALLENGE

COVID-19 caused a sudden influx of shoppers into ecommerce channels. This trend, while prevalent in the retail industry, was especially prominent in the supermarket and grocery business. Shoppers demanded flexible offerings that supported their new shopping needs.

A major grocery store company needed to not only engage demand with new and improved omnichannel services in the short term, but also capitalize on the expanded customer reach in the long term by building better digital experiences that eased customer onboarding and encouraged retention.

APPROACH

To enable this bold transition, the client partnered with Merkle and ActionIQ to implement a customer data platform (CDP). To create a single view of the customer, the team started by unifying data across channels into one central system. Enabling identity capabilities, we distinguished attributes applicable to audience enrichment, versus attributes applicable to audience events or activities. This led to the discovery of different use cases and areas of opportunity to improve the customer journey. Audiences were built for targeting across channels with campaigns being activated through data streaming and batch data unified in the CDP. This established consistent CX and messaging within the customer journey.

Campaign activation times were streamlined as manual processes were replaced by creating efficiencies across the teams and tools.

The areas that the partnership focused on were:

1. **Data collection** – both first- and third-party data

2. **Profile unification** – stitching together terrestrial and digital attributes to a unified customer profile

3. **Segmentation** – centralizing the audience segmentation function for the enterprise

4. **Signalization** – creating one-to-one signals and microsegments that can be used for personalization

5. **Activation** – driving engagement across both batch and real-time channels

6. **Attribution** – enabling closed-loop measurement and attribution methodology

7. **Platform architecture** – delivering business value by architecting platform enhancements

ENGAGEMENT MODEL TO DRIVE VALUE

◥ **Major grocery store company – the owner**
- Identify business objectives
- Manage priorities
- Internal and external alignment

◥ **Merkle – the operator**
- Develop use cases
- Audience planning and execution
- Analytics and insights
- People and process

◥ **ActionIQ – platform provider**
- Data ingestion
- Platform integration
- QA and maintenance

KEYS TO SUCCESS

One of the key areas where the CDP was able to drive impact was reduced time-to-market for enabling customer engagement around new offerings. The key to success here was getting organizational alignment on platform architecture and stakeholder buy-in on the role of the CDP. The client had a clear vision for the how it wanted to utilize the CDP, so the effort of reinforcing that vision with the various stakeholder groups involved in lighting up a new use case was made a more seamless task.

RESULTS

Four CDP-enabled use cases launched in four months:

30% ↑ increase in weekly clip rate for CDP-enabled offers

37% ↑ increase in weekly redemption rate for CDP-enabled offers

3-week ↓ reduction in time-to-market for enabling customer engagement for new offerings

Listen to our webinar on demand to hear the full story

"The engagement model between AIQ providing product expertise around data ingestion and platform integration; Merkle providing campaign strategy and delivery expertise; and the major grocery store company managing priorities and enabling organizational alignment is definitely helping us in our CDP journey."

ABOUT MERKLE

Merkle is a leading data-driven customer experience management (CXM) company that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The company's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive hyper-personalized marketing strategies. Its combined strengths in performance media, customer experience, customer relationship management, loyalty, and enterprise marketing technology drive improved marketing results and competitive advantage. With 12,000 employees, Merkle is headquartered in Columbia, Maryland, with 50+ additional offices throughout the Americas, EMEA, and APAC. Merkle is a dentsu company. For more information, contact Merkle at 1-877-9-Merkle or visit www.merkleinc.com.