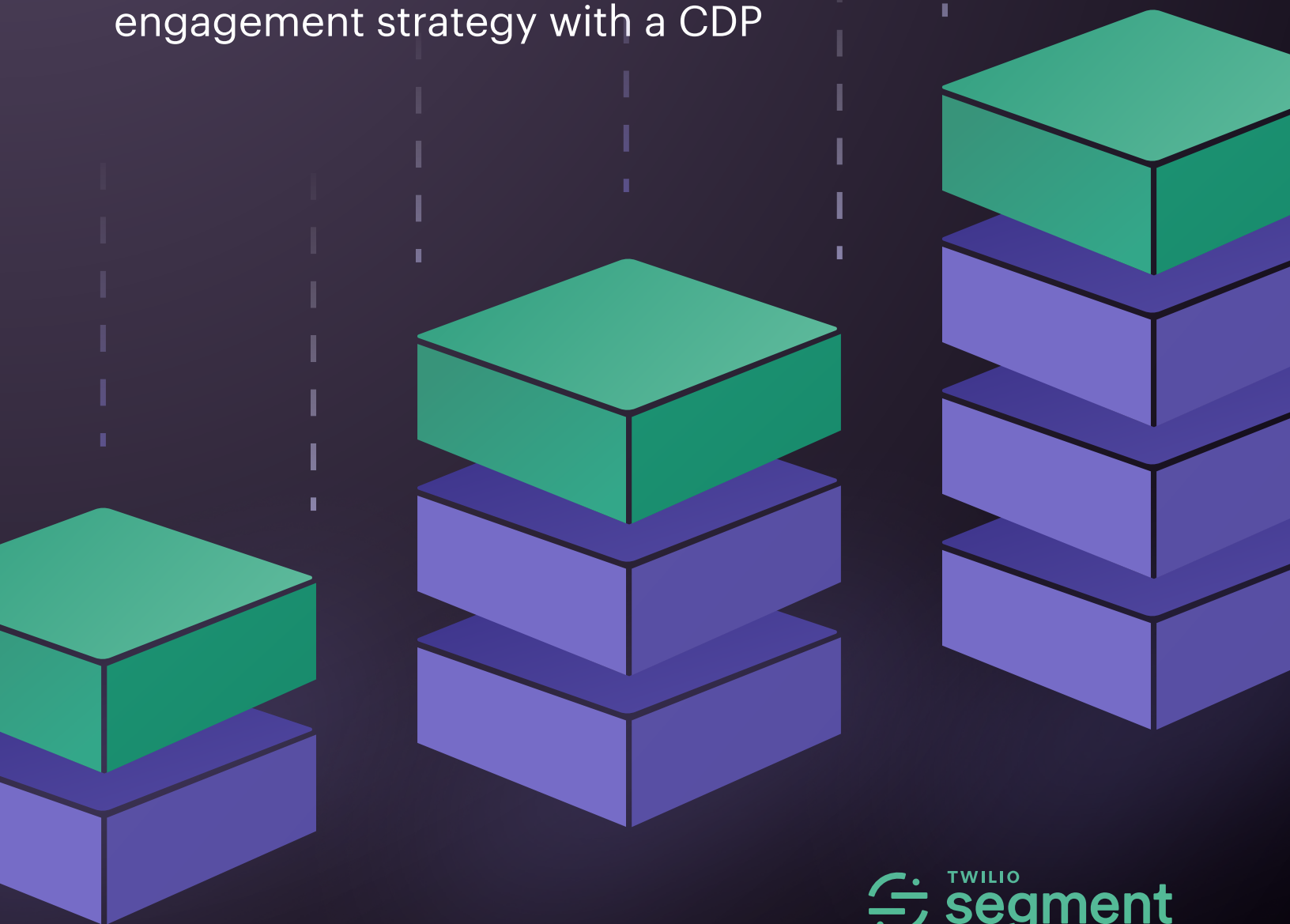


The ROI of a Customer Data Platform

Maximizing your customer engagement strategy with a CDP



Data is the new oil

“Data is the new oil” has been the catchphrase of the digital era. It’s what drives personalization, automation, and innovation... That is, if you’re operating with the right infrastructure.

This caveat has put many organizations in a frustrating position, with the most common roadblock being: **fragmentation**. Disconnected tech stacks result in data silos, forcing engineers to become data gatekeepers for non-technical teams. Inconsistent tracking methods breed distrust when it comes to acting on insights.

Still, there’s a mounting pressure for businesses to forge ahead and make good on their data investment.

In **a survey of c-level executives** from companies that included American Express, Ford Motors, and General Electric, 69% of respondents admitted they’ve yet to create a data-driven organization. But 99% also said that their investments in big data and AI were on the rise (exceeding \$50 million for more than half surveyed).

Investing in data collection without also focusing on how to clean, consolidate, and democratize said data is throwing money down the drain. That’s why we’ve seen a **surge in CDP adoption** over the past two years (partially in response to the digital migration that took place during the pandemic).

But are CDPs actually worth it? The short answer is: yes. In this guide, we break down the benefits and ROI of investing in a CDP.

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ROI benchmarks

One of the simplest ways to illustrate the cumulative ROI of a customer data platform is to measure the performance of businesses that are using a CDP against those that are not.

And across several KPI categories – including customer satisfaction, year-over-year revenue, engagement rate, and average customer spend – businesses that use a CDP are achieving greater gains.

9.1x greater annual increase in customer satisfaction rate

2.9x greater year-over-year growth in annual company revenue

5.7x greater annual increase in average customer spend

4.5x greater annual increase in employee engagement rate

4.9x greater annual growth in cross-sell + up-sell revenue

Source: Aberdeen, September 2020

With a customer data platform in place, companies can unify first-party data across channels, ensure data accuracy, and personalize each customer interaction based on individuals' preferences. Better yet, data engineers no longer have to focus on manually maintaining ETL pipelines, saving both time and resources. (In fact, Outschool [saved 3,000 engineering hours per year](#) after implementing Segment.)



“What would have taken 3 months to switch, took us only a few weeks. All we had to do was set up that email marketing platform as a new destination and do a bit of customization and off we go.”

Erwin Alberto
Engineering Manager at [Outschool](#)

These benefits are felt throughout an organization, but especially on their bottom line. In an [economic impact report](#) commissioned by Segment, Forrester found that the ROI of Segment’s CDP was a whopping 198% in a three-year period (with a net present value of \$2.31 million).

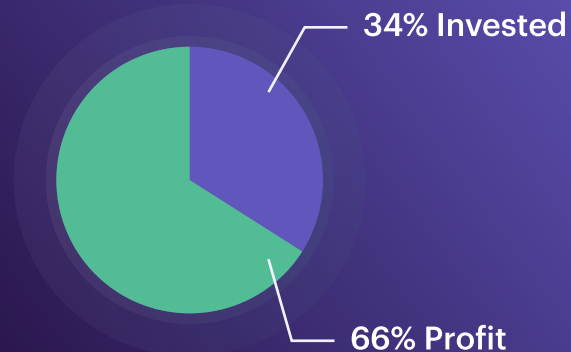
198%

ROI in a 3 year period

Amount invested: **1,170,000**

Amount returned: **3,480,000**

Time period: **3 years**



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Source: [The Total Economic Impact\(TM\) of Segment CDP, Forrester](#)

How to maximize the ROI of a CDP

But how do you get the most out of your CDP investment? We've found that the most successful businesses tend to focus on four key areas.

1. Standardize data

An IBM study found that bad data [costs organizations 3 trillion each year](#). Outdated spreadsheets, manual CSV uploads, inconsistent naming conventions – these are common culprits that degrade data quality, and as a result, skew decision-making.

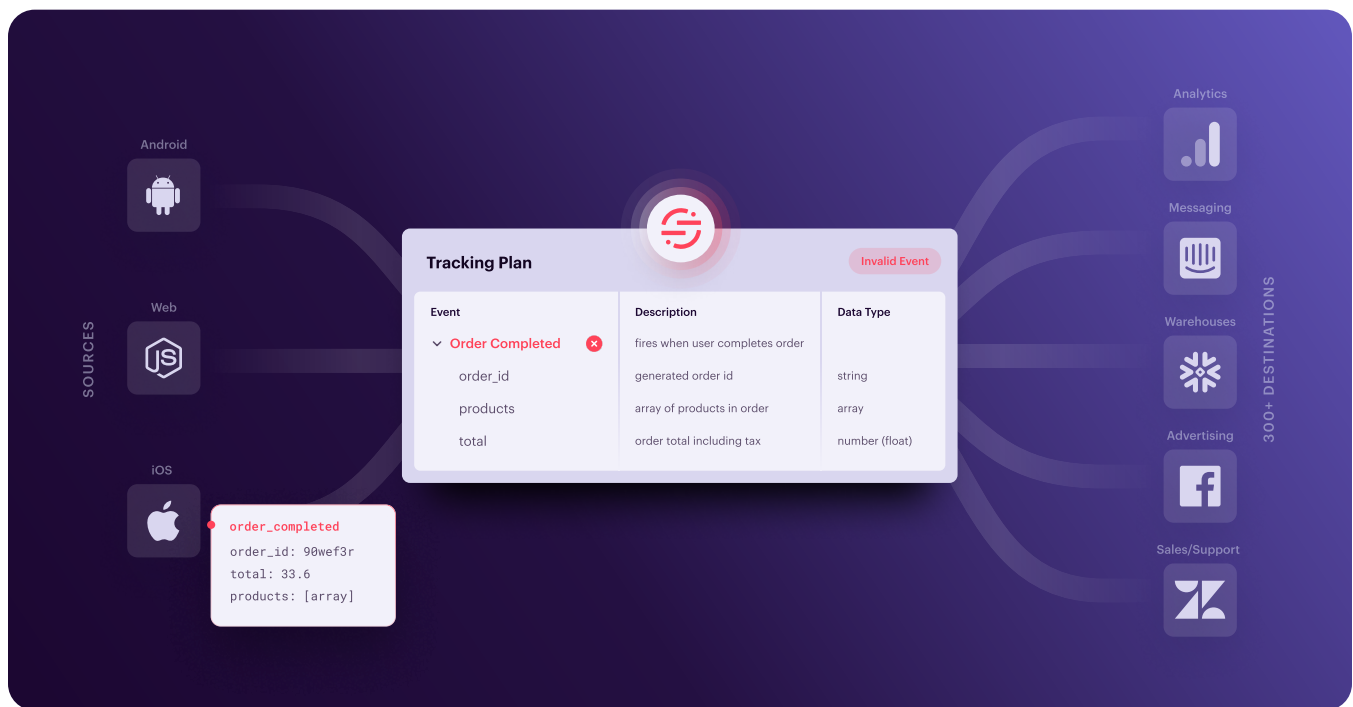
To safeguard against this, businesses need to focus on data standardization, which is when all data attributions (e.g. event names) are consistent across tools and platforms.

Typeform

“Until we started standardizing our data, people didn’t realize how messy it had become. With Protocols, we can be confident that data quality issues don’t happen anymore.”

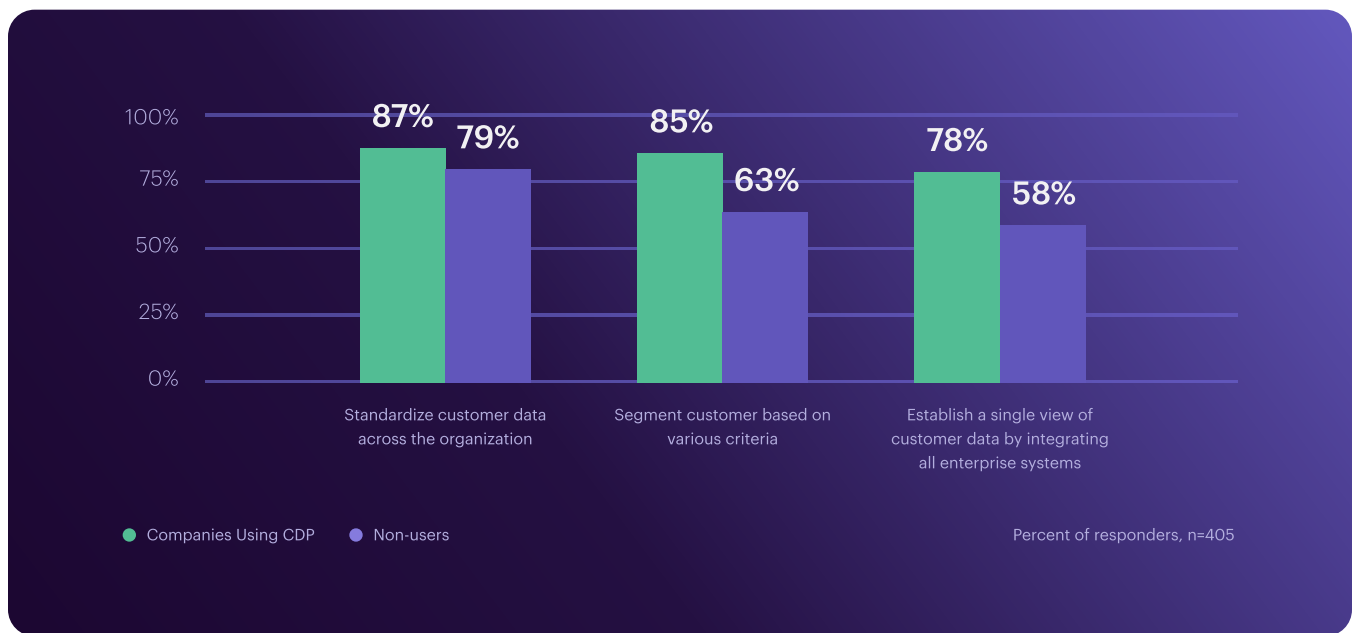
Colin Furlong
Business Intelligence Analyst, Typeform

[Read the customer story](#)



With Segment [Protocols](#), any event or property that does *not* match the company's predetermined data [tracking plan](#) would be automatically blocked (e.g. "Order completed," vs. "Order_completed").

Data standardization is something that CDPs are able to automate at *scale*, which is likely why companies that use a CDP have an edge over those that don't. According to Aberdeen, 87% of CDP-equipped companies said they were able to standardize data across their organization (for companies without a CDP, this percentage dropped to 79%).



Source: Aberdeen, September 2020

More than that, companies using a CDP had a considerable lead when it came to establishing a single view of the customer (78% versus 58% of non-CDP users).

Having data that's both accurate and consolidated is an essential stepping stone for more advanced tactics like personalization, which we explore more below.

2. Personalize each user interaction

It's no secret that personalization is now considered a baseline expectation. In fact, [45%](#) of consumers said that *one* unpersonalized experience was enough for them to switch brands. In today's landscape, plugging a first name into an email just doesn't cut it. Personalization needs to be a cohesive strategy that evolves in tandem with a customer's journey.

In the past few years, we've seen a growing preference for omnichannel experiences. (Today, the average consumer switches [between 10 different channels and three different devices](#) when interacting with a brand.)

To keep up with these expectations, companies across industries have been turning to CDPs. In a Segment-commissioned study from Forrester, research showed that [81% of companies](#) said a CDP was helping them to evolve with these fast-changing consumer expectations.

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Customer expectations continue to rise as purchasing journeys become increasingly digital and industry leaders raise the bar for compelling customer experiences. To compete, companies must create more dynamic, personalized experiences throughout the customer lifecycle by quickly converting user data into insights.

81%

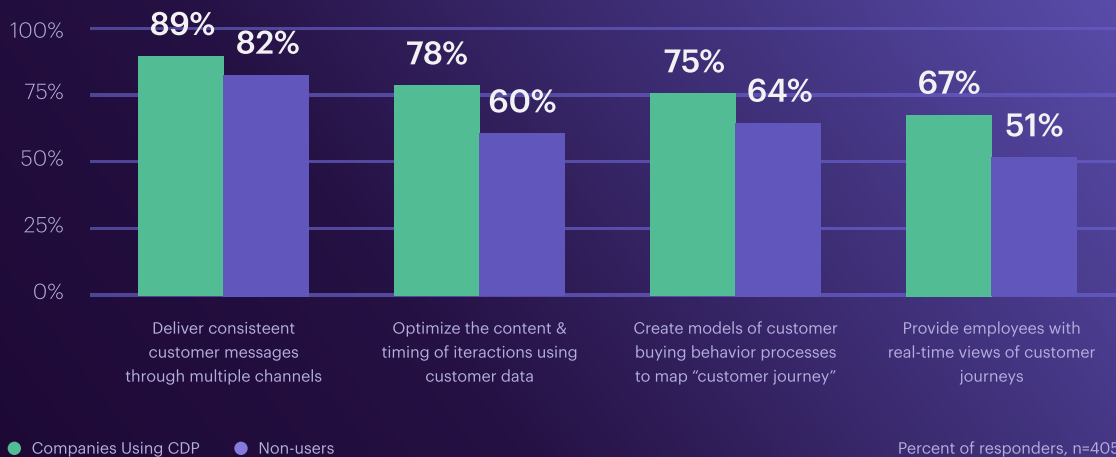
of companies indicated their CDP has helped evolve to meet customer expectations

[Get the report >](#)

Source: [Why Businesses Are Prioritizing Customer Data Platforms, Forrester](#)

For instance, with a tool like [Segment Personas](#), teams can orchestrate [multi-step customer journeys](#) based on real-time data, and sync custom-made audiences with advertising, a/b testing, email, and chat tools in real-time.

Having this ability has a marked improvement on businesses' performance. Across the board, companies using a CDP had a greater ability to deliver consistent messages through multiple channels, optimize the timing of customer interactions by leveraging data, and gain deeper insight into buying behaviors with customer journey maps.



Source: Aberdeen, September 2020

3. Optimize advertising spend

Return on ad spend (ROAS) is a critical metric in determining the health of your business, one that's often held under the microscope by VCs. It asks a simple question: for every dollar that you spend on advertising, are you getting a dollar (or more) back?

Finding an accurate answer to that question, however, is more complex.

Let's use the following example: say a potential customer clicks on your Facebook ad, costing you \$5. The same prospect then clicks on your Google ad (another \$5) before converting: generating \$8 in revenue. If you're using Google Analytics or Facebook Insights, both would report that you made \$3 in profit. But you actually spent \$10 between Facebook and Google, meaning that \$8 in revenue is really a \$2 loss.

CDPs help avoid these misunderstandings. Take DigitalOcean, a cloud platform company that was having difficulty pulling together up-to-date audiences for retargeting and email campaigns. Before using Twilio Segment, DigitalOcean's analytics team would have to

manually pull and export user audiences to their acquisition team (who would then manually upload those lists to ad networks). It was a days-long, prone-to-error process.

But once DigitalOcean implemented Twilio Segment, they were able to unify data, create real-time audiences with Personas, and automatically sync these cohorts to their ad platforms. As a result, **their team saw a 33% improvement in cost per conversion**, and were able to build new audiences based on high-value customer attributes at a **5x faster rate**.



“We have a million users on our platform, so there are a million edge cases. There are so many reasons that someone should or should not be in a particular campaign, so we want to make sure we're not sending unnecessary or irrelevant communication to our users. Personas helps us do this at scale.”

Andy Hattemer
Director of Community Growth, DigitalOcean

4. Ensure compliance with data regulations

It's a new era for data privacy.

From the GDPR, to the [California Privacy Act](#), and imminent [phaseout of third-party cookies](#), both government regulators and consumers are demanding more guardrails around the collection and use of personal data.

A CDP is now an integral tool for data compliance: first, for its focus on first-party data, and, second, for its privacy-conscious features like the ability to [streamline user suppression and deletion requests](#), or implement the [principle of least privilege](#).



“More privacy for consumers means marketers will need to unlock the power of their first-party data to stay ahead. Building trust and delivering better experiences, powered by data, will give smart marketers a competitive advantage.”

Andy Hattemer

Nirish Parsad, Marketing Technologist, Tinuiti

Failing to comply with these fast-changing data regulations would be a disastrous move for businesses, costing them [significant fines](#) as well as their customer relationships.

55%

of consumers say trustworthiness
and transparency are the most
important traits of a brand



Source: [The State of Personalization](#)

[Learn how Crypto.com](#) used Twilio, Segment, and SendGrid to get more visibility into user behavior while ensuring their data capture complied with privacy standards and regulations.

Wrapping up

The research is clear: CDP investments pay dividends for companies. Organizations with a CDP are outperforming non-users in annual revenue growth, customer satisfaction, employee engagement, and more.

For more information, visit segment.com.

Want to learn more about how a CDP can help your business?
Request a demo, today.

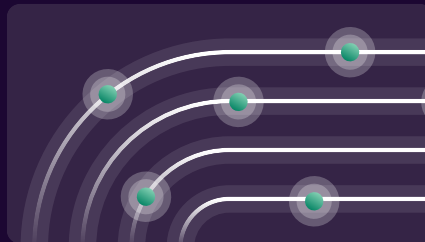
Further reading:



Total Economic Impact Infographic

Take a quick look at what Forrester learned about the financial impact of Segment CDP from interviewing five customers.

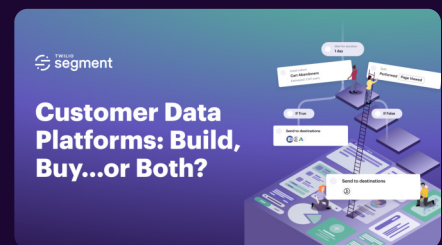
[Download infographic](#)



How Segment Uses Segment

Take an inside look at how our Sales, Marketing, and Customer Success teams personally use Segment to drive growth, automation, and personalization.

[Download guide](#)



Build, Buy, or Both?

This guide breaks down the CDP build vs. buy debate, and discusses a third option: harnessing the benefits of both with a hybrid approach.

[Download guide](#)