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Why Businesses Are Prioritizing Customer Data Platforms

Times Have Changed, But Underlying Customer Data Management,
Analytics, And Audience Creation Challenges Remain

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Global Companies Prioritize CDPs To Meet Rising Customer Expectations

Customer expectations continue to rise as purchasing journeys become increasingly digital and industry leaders raise the bar for compelling customer experiences. E-commerce already accounts for 42% of all B2B purchases today, and it is predicted to reach 58% of US retail sales by 2023.¹ To compete, companies must create more dynamic, personalized experiences throughout the customer lifecycle by quickly converting user data into insights.

In September 2020, Segment commissioned Forrester Consulting to examine how companies utilize customer data platforms (CDPs). Forrester defines a CDP as a solution with a database that functions as a prepackaged data lake, with advanced data integration and management capabilities to build unified customer profiles and deep analytics for segmentation, journey orchestration, and reporting.

Key Findings



The top three reasons companies invest in CDPs are to improve customer satisfaction, personalize customer experiences, and increase understanding of the customer journey.



Eighty percent of respondents indicate that their tools have helped them evolve with customer expectations. However, companies want even more, with only 31% agreeing they are satisfied with their current solution.



Companies plan to invest or increase their investments in CDPs over the next two years with a focus on automation, with 76% of respondents indicating automation would improve their CDP. They expect these investments will increase their customers' satisfaction.

Companies Prioritize Customer Satisfaction And Experience Capabilities

Customer data management, analytics, and audience creation solutions help organizations address business priorities by creating superior customer experiences. According to Forrester's research, the top three reasons companies invest in CDPs are: 1) to improve customer satisfaction; 2) to personalize customer experiences; and 3) to increase their understanding of the customer journey.

In the age of the customer, businesses center everything they do on what their customers value most, including creating a compelling and consistent customer experience. The most valuable capabilities of current toolsets — for customer data management, analytics, and audience creation strategies — are creating a single view of the customer and improving data management.

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“What are the most valuable capabilities of your current customer data management, analytics, and audience creation toolset?”

56% Creating a single view of the customer



55% Improving data management (including, quality, standardization, and governance)



51% Improving data privacy



47% Using marketing attribution to connect data to business outcomes



Base: 408 Director+ decision-makers for customer experience and/or customer data management
Source: A commissioned study conducted by Forrester Consulting on behalf of Segment, September 2020

Tools Meet Basic Needs, But Companies Require More

Organizations are making early progress investing in customer data management, analytics, and audience creation tools to improve customer experiences, which is a strategic requirement for growth. Eighty percent of respondents indicated their CDP toolset has helped their company evolve to meet customer expectations, and 56% said it provides them with a unified view of the customer throughout the customer journey.

These tools are meeting organizations' basic needs, but most companies are not completely satisfied with their current toolsets; only 31% of respondents said they were satisfied with their current solution. To understand why, we looked at the 18% of respondents who did not agree that their CDP toolset has helped their company evolve to meet customer expectations. Those respondents highlighted that technical and integration issues were their main barriers.

“You indicated that your current customer data management, analytics, and audience creation toolset does not help your company evolve with customer expectations. In what ways are your solutions lacking?”



80%
of respondents indicated their CDP has helped their company evolve to meet customer expectations.*

56%
of respondents say their CDP provides a unified view of the customer throughout the customer journey.*

Turning Insights Into Action Is The Biggest Challenge

While respondents indicated that creating a seamless customer experience was the main goal, they struggled to convert insights to action:

- Eighty percent of respondents are unable to turn fragmented data points into comprehensive user records.
- Nearly 80% of respondents said their legacy systems do not generate actionable insights for their marketing and sales teams.
- Three-quarters of companies said they do not have the tools they need to create the personalized experience customers expect.

“What challenges, if any, do you experience as you attempt to utilize customer data in your marketing and sales efforts?”

**80%**

We are unable to turn fragmented data points into comprehensive user records.

**78%**

Our legacy systems struggle to generate actionable insights.

**75%**

We don't have the tools to create the personalized experience customers expect.

**74%**

It takes too much time to create the personalized experience customers expect.

**68%**

We can't trust the accuracy of our customer data to generate the insights we need.

CDPs Need More Automation

Respondents said their lack of automation capabilities prevents them from creating actionable insights. Seventy-six percent of respondents said their solution would be more effective if it automatically connected marketing and analytics tools without engineering support. When asked what capabilities they wish their current CDP provided, respondents' top answer was more automation. This response was expressed in two dimensions:

1. More than 50% of companies said they wanted to automate the process of unifying customer touchpoints across platforms; a key requirement for creating personalized, omnichannel journeys.
2. Fifty percent of companies said they wanted to use insights in real time to target the right customer with the right message, which would add more automation to the personalization process.

“What capabilities do you wish your current customer data management, analytics, and audience creation toolset provided?”

54%

Automating the process of unifying customer touchpoints across all platforms

50%

Using insights in real time to target the right customer with the right message

Leaders Plan To Increase Investment In CDPs To Evolve Alongside Customer Needs

Senior leaders are betting on customer data management analytics and audience creation toolsets to meet customer needs. Sixty-five percent of respondents said they are planning to invest or increase their investment in CDPs in the next 12 months.

When looking at planned investments over the next 12 months across industries, we found that retail companies are most compelled to invest or increase their investments in CDPs, followed by media and technology/tech services companies.

“How interested is your company in investing or increasing investment in a customer data management, analytics, and audience creation toolset?”



70%
Retail



66%
Media/leisure



66%
Tech/tech services



62%
E-commerce



64%
Other

Investment In CDPs Is Expected To Increase Customer Satisfaction

Respondents expect these investments to meet their top goals of: 1) improving customer satisfaction; 2) creating a personalized customer experience; and 3) improving their understanding of the customer journey.

Notably, the top three business benefits professionals anticipate from investing in CDPs align with the top three business goals: 1) improving customer satisfaction; 2) creating a personalized customer experience; and 3) improving internal understanding of the end-to-end customer journey.



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“You indicated that you are planning to increase investment in your current customer data management, analytics, and audience creation toolset. What business benefits do you expect from that investment?”

60% Improved customer satisfaction



53% Creation of a personalized customer experience



50% Improved internal understanding of the end-to-end customer journey



48% Increased customer lifetime value (CLTV)



46% Improved customer retention rates



Base: 364 Director+ decision-makers for customer experience and/or customer data management
Source: A commissioned study conducted by Forrester Consulting on behalf of Segment, September 2020

Conclusion

To meet buyers' rising expectations for personalized experiences across an increasingly digital omnichannel journey, marketers are prioritizing customer data platforms. In analyzing companies' experience with CDPs, Forrester found that:

- **Early success is leading to increased investment.** Respondents said CDPs had improved their ability to meet changing buyer expectations, and they planned to increase their investment to further improve customer experience and satisfaction.
- **Converting insights into action remains the key challenge.** More than 75% of respondents said they struggle with siloed data and a lack of internal skills and tools.
- **Increased automation is the next frontier.** Automation is at the top of CDP users' wish lists. They want to improve sales and marketing alignment so that experiences can be delivered in real time.

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Methodology

This Opportunity Snapshot was commissioned by Segment. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 408 directors+ in customer experience or customer data management. The custom survey began and was completed in September 2020.

ENDNOTES

¹ Source: "The Pulse: The Latest Trends in Buyer Behaviors, Preferences and Drivers," Forrester SiriusDecisions (<https://client.siriusdecisions.com/research-articles/t/thepulsethelatesttrendsinbuyerbehaviorspreferencesanddrivers?contenttype=>) and "There's No Personalization Without Content Intelligence," Forrester Research, Inc., October 25, 2019.

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Demographics

INDUSTRY (TOP 4)

Retail: 13%

Technology and/or tech services: 13%

E-commerce: 13%

Media and/or leisure: 12%

RESPONDENT LEVEL

Director: 69%

Vice president: 23%

C-level executive: 8%

ROLE

Product: 38%

Marketing: 35%

Engineering: 27%

RESPONSIBILITY

Analytics: 38%

Data management: 36%

Customer insights: 34%

Marketing operations: 33%



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