

How to Understand Your Customers Using a Customer Data Platform (CDP)



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With great customer data comes great power. A customer data platform (CDP) is at the heart of this power, giving you all the tools you need to understand your customers' journey and make informed decisions about how to reach them.

From a marketing slant, CDPs have the power to personalize your outreach and give you insights into exactly what your customers want. So, let's dive in and look at what CDPs can do for you.

What is a Customer Data Platform?

At its core, a customer data platform is defined as software combining multiple data sources to create a single centralized customer profile. That profile allows you to segment your customers in any imaginable way and personalize your marketing campaigns accordingly.

The end goal is a more tailored experience for each of your customers across all touch points. From visits to your website and Facebook ads, live chat, emails, and beyond.

Let's look at an example real quick: Imagine you're trying to figure out what mobile phone model to buy. You visit a few websites, watch some videos, and research the specs of different brands.

As you do your due diligence, the company you're researching starts to personalize its marketing efforts toward you. This could come in the form of a personalized webpage targeting your particular search history or an automated email following up with a coupon code for that exact brand — all thanks to CDPs.

CDP vs. DMP vs. CRM: Which Do You Need?

It can be easy to confuse CDPs with other similar-sounding solutions like [data management platforms](#) (DMPs) and customer relationship managers (CRMs). The key difference between them lies in what they manage: CDPs for customer data, DMPs for only advertising data, and CRMs for customer-facing interactions.

A CDP is the only one of the three suited to personalizing your marketing efforts, but understanding each one's capabilities is crucial in ensuring you get the right solution for your business. While DMPs sort through a plethora of third-party data to target ads, CDPs are all about making sure that data is owned and subsequently managed by you.

As for CRMs, they simply help organize customer-facing interactions. Although their data won't necessarily provide in-depth insights into how customers interact with your product or service (that's the CDP's job).

The Data That Makes Up a CDP

CDPs use first-party data collected from and only used by your company. This is important because it means you know what data was collected and how it was done, providing the insight required to create accurate customer profiles across all aspects of their journey.

On the flip side, companies often purchase or share third-party user data collected without consent to target new potential customers with relevant ads on different sites.

The problem with this method is that it's hard to determine if the data was obtained legally, so it will often be less reliable when used for personalization efforts.

For that reason, sticking closely to the first-party data you've collected is the way to go when utilizing a CDP.

Benefits of a Customer Data Platform

1. More Organized Customer Data Management

With your customer data organized, it becomes much easier to act on trends and insights that come up through your analytics while being able to search more effectively and dependably across silos.

Setting up a good data governance strategy and detailed tracking plans are important steps to ensure that accuracy is key in handling your customers' needs.

At this stage, first-party data is crucial for sorting through what's needed early on in order to create truly personalized experiences with no need for upkeep beyond setup. While this is the time to get your data in order, a CDP can help manage all of it from this point on.

2. More Insightful Customer Analytics

We're talking about analyzing customer behavior for marketing, product development, and sales. These are all essential functions that need to be considered when looking at the bigger picture.

Analyzing customer behavior can help you get an idea of what people expect from your product or service, and it also paves the way for more powerful marketing and sales strategies.

With the help of a CDP, you can start collecting data from multiple sources and later on use it for segmentation purposes. This way, you'll see clearer patterns in user activities, enabling you to come up with better marketing ideas.

3. Improved Data Protection and Privacy

The data privacy laws we now have in place make respecting customers' data more important than ever, so having a well-regulated CDP that is GDPR and CCPA-compliant is essential for any modern business to avoid falling foul of the rules dictated here.

It pays to understand how the wider audience should view your collection practices as it comes down to using first-party data for customer analytics. That's just one reason out of many why you'll need a CDP below the surface to maintain sound practice when dealing with plenty of sensitive information across multiple areas.

4. Other Benefits

By understanding what your customers want and acting upon their feedback, you can start developing more efficient ads and come up with better ROI results. Plus, thanks to automated tools, it's now possible to respond in real time to customer queries and interactions as they happen. This way, you're providing a custom experience tailored specifically to your user's needs.

Another use case of leveraging collected data to drive personalization is real-time marketing campaigns. By understanding customer behavior, it's now possible to tailor campaigns for specific target audiences at just the right time. This means that customers get advertisements that are more likely to be relevant and genuinely useful. It also ensures better ROI from marketing spend since users are receiving ads that appeal to them.

According to [Gartner](#), 50% of companies that successfully adopt a CRM achieved a 360-degree view of their customer data that's consistent across all channels. They can use this data to fine-tune both their product development, as well as their content marketing campaigns.

How to Choose the Right Customer Data Platform

If you're ready to take the next step towards understanding your customers, then getting yourself a CDP could be just what you need. When deciding which one is right for your organization, there are a few key areas to consider: features available, budget, use cases, and any experience dealing with other companies in particular sectors.

It's all about balancing cost-effectiveness and quality of service offered by any potential providers and putting in the extra legwork of conducting research through user reviews, product demos, and references whenever possible.

For example, you could research how Breather pooled in customer data to further their analysis and maximize the efficiency of their ad campaigns or [how Glossier personalized user experiences](#) across all channels using feedback from customer analytics — ensuring better ROI than before.

Conclusion

A CDP doesn't just offer a single solution when it comes to understanding your customers. It provides multiple solutions rolled into one neat piece of software. Our takeaway is that data-driven practices should be your primary focus if you're seriously considering taking advantage of CDPs.

As long as you know what kind of customer data is necessary for successful personalization and getting up to speed when dealing with privacy legalities, then you should have the know-how to make incremental improvements where necessary along the way and see the results shortly afterward.