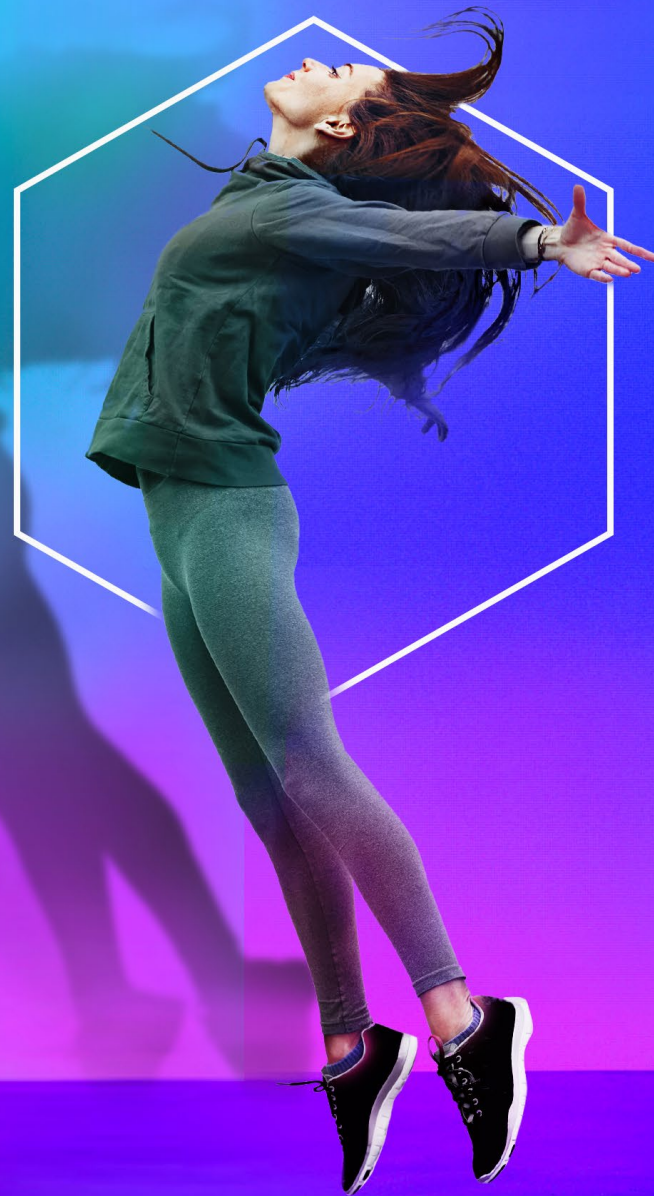


2022 State of the CDP Report

The art of what's possible

In the age of data



Content

Introduction	3
Key Findings	4
Embracing Digital Transformation	5
Smart Marketers, Intelligent Machines	7
Creating the Real-Time Customer Experience	9
Respecting Their Privacy	10
Conclusion: CDPs No Longer If, but Which	11
Vertical Report: Financial Services	12
Vertical Report: Healthcare	13
Vertical Report: Tech	14
Vertical Report: Retail	15

Introduction

Learning to thrive with uncertainty

"The ladder of success is best climbed by stepping on the rungs of opportunity." - Ayn Rand

Amid the uncertainty of COVID-19, one thing nearly everyone can agree on is that the world has changed forever. Business leaders who see opportunity in change to fortify customer relationships and enhance their companies' resiliency will reap the rewards long after the crisis is a distant memory.

The pandemic unquestionably accelerated digital transformation, spurring a rush to the cloud and an intensified focus on data-driven decision-making. IDG's 2021 [Digital Business study](#) found that 96% of enterprises have adopted or plan to adopt a "digital first" business strategy. E-commerce now accounts for 19% of global retail sales and the impact of digital channels on customer decisions is far greater than that.

The last two years have also seen growing demand for measures that protect customer privacy, including the impending end of third-party cookies, which have long been a staple of web personalization. Seeing that online channels will be a core element of future customer interactions, marketers doubled down on investments they made in digital experiences during 2020 and intensified their focus on data quality and integration.

In a market that has experienced overwhelming change in a short time, improving agility is also a top priority. Respondents to the aforementioned study listed it second only to productivity improvement on their priority list. Customer Data Platforms (CDPs) address this need by connecting data in real time across teams, technologies and customer touchpoints.

This combination of forces has made customer data platforms an essential part of marketers' technology portfolios, with research firms forecasting annual growth rates of more than 25% in the CDP market for the rest of this decade.

To better understand how businesses are leveraging CDPs, Tealium surveyed more than 1,000 marketing and business leaders in the financial services, healthcare, media, retail, and technology industries in the U.S., Europe, and Asia/Pacific.

This third annual study documents the growing centrality of CDPs to the marketing technology stack and their role in balancing the somewhat paradoxical priorities of better protecting customer data privacy, while also making the customer experience more personalized.

In the following pages, learn how technology deployment plans are accelerating into a new era as well as the growing importance of integration and third-party ecosystems to marketers' spending plans.

Key Findings



Technology spending continues to rise

Eighty-seven percent of marketers expect to increase technology spending in 2022, with 40% planning significant increases, up from 32% last year.



CDPs yield tangible ROI

CDPs are becoming more defined as are use cases to see real ROI. More than half of marketers said payback was achieved within six months and four out of five saw positive ROI within 12 months.



Many external factors are disrupting business

The pandemic, third party cookie loss, and privacy regulations are rapidly driving change in the landscape. CDPs are seen as a fundamental change agent for data-driven businesses as evidenced by the 91% of respondents who cited digital transformation as a primary driver of their CDP adoption.



Budgets are bouncing back

After enduring budget cuts during the early months of COVID-19, between 50% and 60% of marketers increased spending in eight of nine critical technology categories last year.



Age of intelligence is dawning

Illustrating the interest in extracting actionable insights from data, 97% of executives said artificial intelligence capabilities are important to achieving their marketing priorities.



Customer trust is king

While an overwhelming 93% of respondents said their solutions come from one vendor. The top criteria for selecting a CDP were customer service (cited by 61%) and compliance (57%).

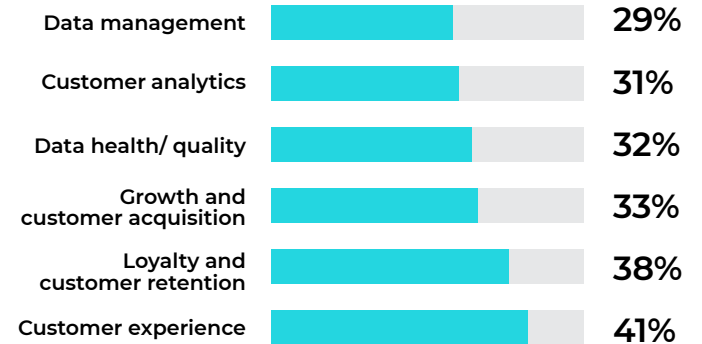
Embracing Digital Transformation

Customer experience is now a top priority in most organizations. Walker Information reports that executives believe customer experience is now [a more important brand differentiator](#) than price or product while Accenture says more than three-quarters of CEOs [intend to fundamentally change](#) the way their companies engage and interact with customers.

Increasingly these interactions will be digital. Omnichannel businesses make it easy for customers to place orders from whatever device they prefer and arrange for pick-up or take delivery at the location of their choice. This channel diversification is driving broad investments in customer-facing technology across the business landscape.

Digital habits that expanded during the pandemic in many cases are here to stay. Some of these behavior changes are subtle and don't show up in retail sales figures. For example, a [Google analysis](#) of search trends in 2020 found that customers are doing more window shopping online, in part to reduce time spent in stores. The study also found that customers are considering who they buy from more carefully as evidenced by an increase in searches for nearby stores and dramatic growth in queries around sustainable and ethical businesses.

Which solution areas are the most important for your CDP to address?



Percentage of respondents by industry who said providing more digital customer experiences is their number one priority



The year also saw significantly more customers searching for “best” products and discount codes, indicating that they expect a better value for the dollar than ever. And searches that included the term “delivery” soared as much as 1,000% in some geographies.

Even as a more normal pace of life resumes, it's unlikely that customers will abandon the choice and efficiencies they discovered when forced to shift their purchasing online. Results of the CDP survey show that savvy marketers are already fine-tuning their strategies to accommodate these changed expectations.

More than 60% reported that customer experience and service is their most important priority in choosing a CDP partner. **The top three areas executives most want their CDP to address are customer experience, loyalty, and customer acquisition.** That sentiment was particularly pronounced in the retail industry, where 46% of respondents said experience is their number one CDP focus. Retail respondents also indicated a significantly higher interest in customer loyalty (47% compared to 38% of all respondents), targeted messaging and personalization (30% vs. 24%).

Organizations have struggled in the past to integrate multiple solutions into a single martech stack, but there are signs the situation is improving. Two-thirds of respondents said it is now either somewhat or very easy to integrate third-party solutions and just 25% said the task is somewhat difficult. That's a big improvement from the 62% who said integration was a challenge in last year's study.

Still, there is room for improvement. Asked for the one area where they'd most like to see their company's CDP enhanced, marketers named integration with third-party solutions (15%) and data ingestion from more channels (14%) as their number two and number three choices behind only real-time functionality (20%).

The CDP is assuming a central role in helping businesses achieve their most important objectives. Three of the top four priorities marketers identified for 2021 - **better protection for customer data privacy (59%), more personalized customer communication (54%), and a more unified customer experience (51%)** - mapped almost exactly to the reasons they selected for investing in a CDP.

The Top 5 Reasons Why Respondents Invested in a CDP

- #1** Protect customer data privacy/
Comply with security regulations
- #2** Leverage real-time data collection to be more responsive
- #3** Improve capabilities across technology investments
- #4** Identify and target individual customers with predetermined messages
- #5** Create a single source of customer data truth accessible across departments/technologies

How soon do you expect to see ROI from a new martech solution generally?



Marketers have seen quick payback on their CDP investments. **Nearly 70% said they achieved positive ROI within six months and 96% saw a full return within 12 months.** Just 4% had to wait longer than a year. The metrics they use to measure ROI are topped by data quality, which was cited by 37% of respondents overall and 44% in the financial services industry. That was followed by customer experience (22%) and operational savings (22%). Just 1% of respondents said the company doesn't measure the ROI of its CDP. Healthcare respondents wait the longest, but even then just 17% said returns came after 12 months.

Smart Marketers, Intelligent Machines

Artificial intelligence (AI) is now all around us. From intelligent recommendation engines to chatbots that answer up to 70% of routine customer inquiries, people have come to expect and even rely on the input from AI in their customer experience. In alignment with that trend, [IDC expects](#) 90% of new enterprise applications will use AI by 2025.

Marketers are welcoming the arrival of these experience-enhancing and productivity-improving technologies as evidenced by the 98% that listed AI capabilities as either somewhat or extremely important to achieving their organization's marketing priorities in 2021, a figure that was consistent with last year's survey. AI enhances agility by reducing the time people must spend on mundane and repetitive tasks. Companies that can get the most value out of data with the least investment of human time will be the winners.

98% listed AI capabilities as either somewhat or extremely important to achieving their organization's marketing priorities in 2021.



Data-informed machine learning algorithms are delivering value across the marketing spectrum:

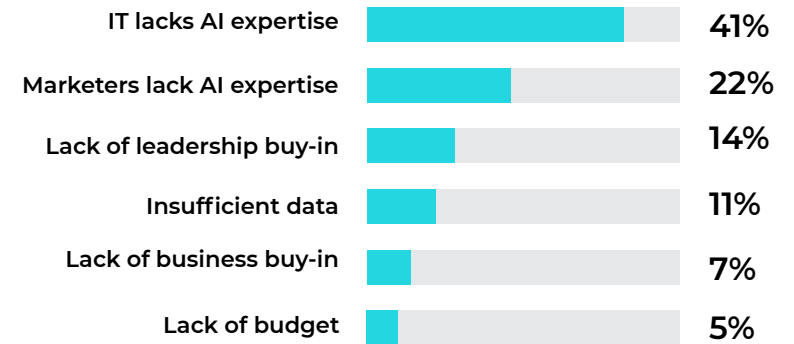
- Voice recognition systems can analyze a caller's tone to infer emotions like anger or frustration and route the call to the service representative best equipped to handle the situation.
- Machine-generated content is now all but indistinguishable from that created by humans in many use cases, creating potential cost savings while improving personalization.
- Robotic process automation software can tackle time-consuming and error-prone processes like integrating data from multiple sources and can even suggest improvements to existing workflows.
- Predictive insights enabled by machine learning enable marketers to target prospects more precisely as well as suppress those who are less likely to become profitable customers.
- [McKinsey has estimated](#) that half of all current office work activities can be automated by adapting currently available technologies.

Although data science skills are in short supply, executives generally agree that their organizations are doing a good job of deploying AI to generate predictive marketing insights. Ninety-five percent rated their companies somewhat or very effective in that area. That being said, the best is yet to come with AI. It's important to note, successfully deploying AI is completely dependent on the quality of data used within the tools.

But executives believe they can do more. When it comes to the barriers holding their organizations back from making more effective use of AI in marketing, 41% cited lack of expertise in their IT organizations and 22% said marketing skills fell short. That's a reversal from the 2020 study, in which 29% of executives cited IT shortcomings as a problem and 30% pointed to marketing.

Funding isn't a major problem, though. Just 5% of respondents said they lack the budget to purchase AI tools.

Barriers holding the organization back from more effective use of AI in marketing



C-level executives are particularly excited about the unified customer experience element: nearly 70% plan to drive that objective.

Technology Protects and Disrupts

Digital marketing now comprises 58% of the overall marketing budget and is expected to grow nearly 15% next year. Executives see plenty of promise in technology to enhance the customer experience in the age of Zoom. Virtual engagements are the top area where marketers plan to invest in customer engagement in 2022. More than one in seven marketers also see the potential in augmented reality, which enhances physical experiences with data.

The top four areas where executives believe technology can have the biggest impact in 2022 are **protecting customer data** (cited by 57%), **speeding acquisition of new customers** (54%), **creating more personalized customer interactions** (53%), and **presenting a more unified customer experience across channels** (51%). C-level executives other than CMOs are particularly excited about the unified customer experience element: Nearly 70% plan to drive that objective.

Creating the Real-Time Customer Experience

People have come to not only desire real-time customer experiences, but to expect them. As digital transformation continues to accelerate our use of technology in every moment of our lives, providing real-time customer experiences will only grow in significance for organizations.

Real-time processing technology enables customer experiences to be tuned to the moment. Instant responsiveness enables marketers, for example, to customize offers to website visitors based upon the pages they view or to route high-value callers to service representatives who can deliver “white glove” care. In-person experience can be enhanced by customized offers delivered at the point of sale based on the customer’s shopping cart contents. Marketers can also connect to other departments in real-time and increase the credit line of a customer making multiple purchases on December 23, for example, to save him or her from exceeding the credit limit.

With the end of third-party cookies on the horizon, marketers are increasingly interested in using their CDPs to combine precise segmentation with real-time decisions. Integrating data from multiple sources is an important step in building customer personas that can be aligned with permission-based data to deliver more targeted and personalized offers. That was evident in the fact that 20% of marketers cited increased real-time functionality and 15% chose better ingestion of third-party data when asked for one improvement they’d most like to see in their CDP.

Integration expands the aperture for personalization, and that maps to some 2021 hot buttons. In fact, three of the top four priorities respondents said became more important this past year were creating more personalized communication with customers (cited by 54%), acquiring new customers more quickly (53%), and presenting a more unified customer experience across channels (51%).

Top three priorities of real-time customer experience



More personalized communication with customers



Acquiring new customers more quickly



Presenting a more unified customer experience across channels

Respecting Their Privacy

While customers are expecting more and more from the use of their data by the companies they engage with, they are also simultaneously demanding greater privacy and respect for how that data is gathered, stored, and utilized.

Nearly 130 countries have adopted data protection and privacy legislation and at least 38 states introduced privacy-related bills in 2021. Gartner predicts that 65% of the world's population will be covered under modern privacy regulations by 2023, up from just 10% last year. That makes this issue top-of-mind for all but the smallest businesses.

Marketers understand this and they are making customer data protection a top priority. More than three-quarters of all respondents – and 84% of those in the retail industry - cited the need to accommodate changes to privacy consent management as an important market factor that led them to choose a CDP. Privacy protection was also the number one reason they invested in a CDP.

And “better protections for customer data privacy” was the top-cited marketing priority that increased in importance in 2021, identified by 59% of marketers overall and 63% in retail.

Better protection of customer data also topped the list of desired outcomes in 2022, with 57% of executives mentioning it overall and 63% in retail. The need extends beyond the marketing department. Securing private data is the top trend executives expect to see across the overall business landscape in 2022. And regulatory changes around customer data is the business factor they expect to have the greatest impact on their industries in 2022.

Not surprisingly, awareness is especially high in healthcare and retail organizations. The former industry is highly regulated, and the latter has been among the most prominent victims of breaches and cyberattacks.

External market factors expected to have the most business impact in 2022



Conclusion: CDPs No Longer If, but Which

There have been many challenges over the past two years which, in some cases, have reset the ways companies engage with their customers - primarily through how customer data is collected, analyzed, and acted on. Third party cookie loss means companies are losing access to data they've relied on for years to find and interact with customers. The pandemic has driven society online at a faster rate than any company could have predicted. And changing privacy regulations have forced companies to completely reimagine their data management practices.

All of these factors have fueled a collection of technical and business requirements that have placed CDPs into the mainstream. No longer a nascent technology, CDPs are being adopted by a wide range of companies across many industries. The key decision is no longer whether to purchase a CDP, but which platform is best suited for the organization's needs.

The good news is that the ROI is there. Payback for many organizations is observed within six months of implementing a CDP platform - and in some cases less. CDPs are driving more relevant and timely interactions with buyers that result in more efficient business growth - new and expansion - in addition to streamlining organizational processes across internal departments.

Digital transformation is not new, but the urgency around it has skyrocketed. Knowing customers well and engaging them on their terms is table stakes and organizations that can deliver will win. The key observation is that there will continue to be more sources of customer touch points and data types. With this abundance of data comes the critical requirement to protect and respect the preferences a consumer outlines. Some see it as a paradox (privacy and personalization), but it is also something wonderful - an opportunity. By managing customer data in a connected and compliant way, companies can earn the public's trust and use the information at their disposal to create truly meaningful customer experiences. CDPs are the key technology that help with this through a combination of optimism and a belief that all starts with the data.





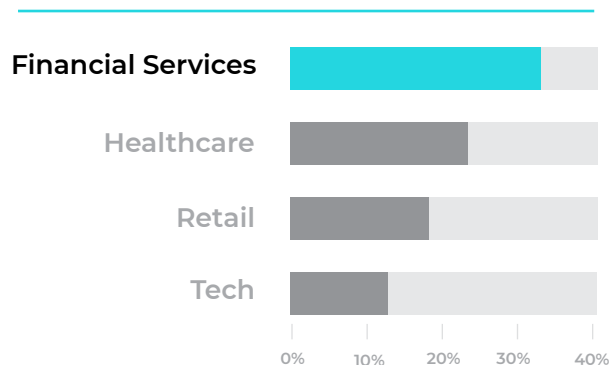
Financial Firms Look to Technology to Help Ride Out Market Uncertainty

With disruptive forces like financial technology, cryptocurrency and the uncertain economic impact of COVID-19 roiling their industry, financial services firms are turning to technology in 2022 more than ever to define the terms of customer engagement.

This was evident in the enthusiasm from respondents to the CDP research from the financial services (banking and insurance) industry. Improved digital experiences, new uses of artificial intelligence and predictive analytics all ranked very highly. **For example, they indicated much greater interest in unifying audience management across the technology stack and improving data quality.** This is not surprising for an industry that increasingly relies on digital channels for customer communication.

Financial firms were also more inclined to emphasize faster acquisition of new customers and stepped-up investments in social media marketing as top priorities versus their counterparts in other industries. **Financial services firms appear to be the most invested in digital transformation, with 95% citing it as a factor in onboarding a CDP, more than any other industry.**

Public perception of a company's brand as a top trend in 2022



Highlights

- Of all surveyed industries, financial services respondents showed the greatest enthusiasm for the potential of AI to help achieve marketing objectives. **70% rated AI capabilities as extremely important, compared to 60% overall.**
- They also said their organizations are very effective at deploying AI to a higher degree than their peers in retail, healthcare and technology.
- **Financial services executives exhibit the strongest focus on the public's perception of the company's brand.** More than one-third rated brand equity as a top business trend overall for 2022, well ahead of the security/privacy issue that ranked in second place.
- For an industry that doesn't move many goods, it is interesting that financial executives cited supply chain disruptions as the number one factor that will impact their industry most in 2022. This may be because they believe the economic impact of disruptions will affect their firms disproportionately.



Healthcare Priorities Shift from Retention to Acquisition in 2022

Healthcare providers have been swamped with patients for most of the past two years. Respondents from that industry compared to the 2021 State of the CDP survey were far less interested in increasing the pace of new customer acquisition than their peers in other fields. But all that changes in the new year.

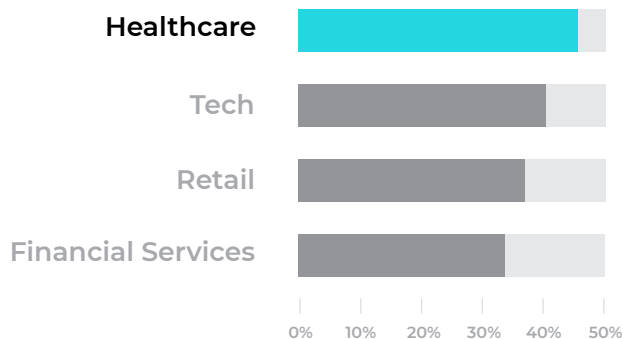
In 2021, just 43% of healthcare executives rated the fast acquisition of new customers as a priority, compared to 53% of all respondents. However, more healthcare executives rated improving retention for existing customers as a priority than their peers in other industries.

Those priorities reverse in 2022, however -- **61% of healthcare marketers identified faster new customer acquisition as a priority for 2022, more than any other vertical industry group.** At the same time, the number of healthcare executives who said they're seeking to improve retention rates in the new year dropped by more than half from 2021.

Not surprisingly, healthcare companies also showed more interest in using technology to protect customer data than their peers. **Respondents rated privacy as a top business trend for 2022 to a much higher degree than all other industries.** They also judged data privacy and compliance to be a much more significant factor in the success of a CDP than those in other industries.

In a field that saw the use of telemedicine grow [38-fold](#) during the pandemic, it is also not shocking that they expressed higher levels of concern about the continued ripple effects of the pandemic, with nearly half mentioning that as an external factor the continuing pandemic will have a significant impact on their industry this year.

Ripple effects of the pandemic will have a significant impact on my industry in 2022



Highlights

- Healthcare executives rated building customer trust by improving privacy/ consent practices as a much higher priority than those in other industries.
- **Conversely, not a single healthcare marketer said delivering more relevant recommendations or providing more digital customer experiences to customers were top priorities for 2022.** This may be a function of regulatory restrictions on such practices.
- Healthcare marketers reported greater difficulty incorporating third-party solutions into their marketing technology stacks than marketers in other industries, but the impact appears to have been modest. Just 21% said integration issues have impacted marketing goals (compared to one-third of all respondents).
- Although the open rate for healthcare-related emails is robust at nearly 23%, marketers in that industry said spending on email had decreased at a significantly higher rate than those in other industries.



Tech Leaders Favor Insights Over Intimacy

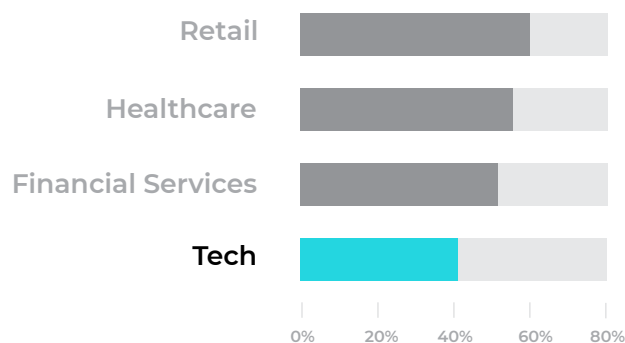
Given that tech is primarily business-to-business (B2B), it's not surprising to see a difference in customer-oriented priorities compared to the more consumer-focused industries. The fact that technology companies suffered less than others - and even prospered from the effects of the pandemic - was also evident in their greater focus on customer growth.

Just 68% of technology respondents cited pandemic-inflicted disruption as a factor in their decision to onboard a CDP, compared to 79% of all respondents (and 92% of retailers). **Conversely, four in 10 also said growth and customer acquisition is a principal value of a CDP, compared to one-third of all respondents (and 28% in retail).**

The B2B nature of the tech industry was also reflected in respondents' attitudes toward privacy and data protection issues. Technology executives showed much less interest in delivering more personalized customer engagements and relevant recommendations. Just 40% named that as a priority in 2021, compared to 54% overall. **However, they showed greater interest in enhancing the quality of predictive insights for customer behavior than all survey respondents by a margin of 18% to 8%.**

Throughout the survey, technology companies indicated far less interest in customer privacy protection than their peers in other industries. For example, tech execs rated building customer trust by improving privacy and consent practices as a much lower priority than those in financial services, retail and healthcare.

Industry executives' prioritization of personalized experiences in 2021



Highlights

- **Just 38% of technology executives said better protection of customer data privacy is a priority in 2022, compared to 57% of all respondents.** They also indicated significantly less interest in improving personalized communication with customers, with 40% identifying that goal as a priority compared to 53% overall.
- Tech respondents showed the least interest in improving the perception of their company's brand across all vertical industries studied. **Just 13% said that brand perception would be a top business trend in 2022, compared to 34% of financial services firms.**
- They joined with retailers as the least likely to cite marketing's lack of expertise as an impediment to AI deployment, which perhaps indicates an overall higher level of technical proficiency among tech marketers.
- Tech companies also indicated significantly greater interest in better managing their ad spend through technology than their peers.



Pace of Change and Privacy Factors Dominate Retailers' Concerns

The retail industry was one of those hit hardest by COVID-19 and the preceding mandate to diversify sales and delivery models. Retailers have also been the target of some of the most prominent data breaches in recent years. The impact of these experiences has influenced their perceived value of CDPs and their criteria for selecting them.

An overwhelming 92% of retail respondents to Tealium's CDP survey pointed to pandemic-influenced disruption as a factor in their CDP choice, compared to 79% of all respondents. Retail executives also cited changes to privacy consent management regulations and the challenges of managing customer identity as selection factors to a much higher degree than their peers in other industries. This result isn't surprising given the size of the retail customer base and the emphasis the industry places on personalized messaging.

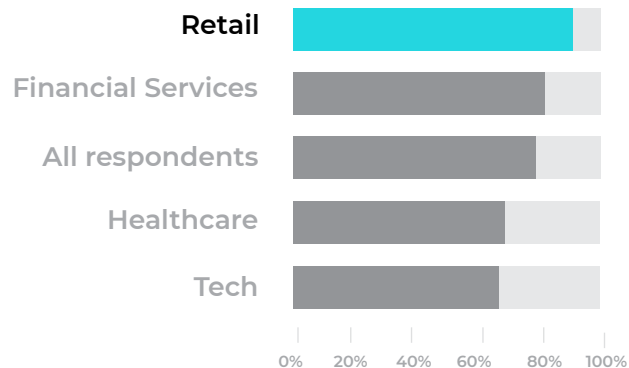
Shifting preferences

The pandemic did more than just accelerate the shift to e-commerce; it also changed the way buyers make decisions. Without the luxury of browsing in a store, many customers defaulted to online channels, increased their reliance on reviews and promotions, and asked retailers to deliver better value. A [Vericast survey](#) found 31% of consumers now consider themselves to be price-conscious, up from 23% in 2020.

At the same time, retailers who sell to consumer markets have had to cope with a raft of new and proposed privacy regulations, as well as the impending loss of third-party cookies. This will require greater use of permission-based data collection sources like loyalty programs, which require robust platforms for data aggregation.

Throughout the study, retailers consistently showed a strong preference for technology that improves customer experience, protects customer data, and fosters greater loyalty and customer retention. They also joined their healthcare peers in showing the greatest interest in customer privacy protection, with privacy consent management playing a greater role in their decision to onboard a CDP than respondents in other industries.

Impact of pandemic-inflicted disruption on the decision to onboard a CDP



Highlights

- One in three retail respondents said customer privacy protection is a top business trend of 2022.
- Thirty-six percent of retailers said providing more digital customer experience is a top 2022 goal, compared to 30% of all respondents.
- **Fifty-five percent said they want their CDP to help them target individual customers with predetermined messages throughout their journey,** compared to 49% of all respondents.
- Although artificial intelligence has applications across the retail spectrum, retailers rated it lower in importance to their marketing efforts compared to peers in other industries.
- Retail respondents were somewhat more inclined to cite IT's lack of expertise as an impediment to AI deployment and less inclined to say lack of leadership buy-in has been a problem.

This report was published by



Tealium connects customer data across web, mobile, offline, and IoT so businesses can better connect with their customers. Tealium's turnkey integration ecosystem supports more than 1,300 built-in connections, empowering brands to create a complete, real-time customer data infrastructure. Tealium's solutions include a customer data platform with machine learning, tag management, an API hub and data management solutions that make customer data more valuable, actionable, privacy-compliant and secure. More than 850 leading businesses throughout the world trust Tealium to power their customer data strategies.

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