GET TO KNOW YOUR CUSTOMERS BETTER:
6 Simple Steps to Build an Effective Customer Data Strategy

Consumers are becoming increasingly digital in the way they work, shop, and play across websites, apps, social media platforms, connected TVs, and video game consoles. McKinsey found that people are interacting digitally with twice as many industries as they did before the pandemic. As a result, they expect a personalized experience from brands. Consumers want brands to engage them with meaningful content that's appropriate for the time, the place, and the individual. According to Salesforce research, 73 percent of consumers expect companies to understand their unique needs and expectations, and 56 percent expect all offers to be personalized.

This digital transformation requires a customer-centric approach, and data is the foundation for this strategic shift. Every customer interaction not only gives you a chance to differentiate your business and win customer loyalty, but also enriches your customer knowledge with valuable data sets. Fueled with this information, marketers can gain a holistic view of the customer journey and be better positioned to solve important business challenges, like customer acquisition, customer retention, and personalised customer experiences. Read on for six simple steps to help you build an effective customer data management strategy.

6 Steps to Create a Customer Data Management Strategy

1 **DATA ASSESSMENT**
Assess the current state of data collection and uses of customer data

4 **DATA SEGMENTATION**
Gain an understanding of customers

2 **DATA-DRIVEN OBJECTIVES**
Align business goals and use cases across the business

5 **DATA ANALYTICS**
Turn your customer data into actionable insights

3 **DATA COLLECTION**
Decide how and what customer data to collect

6 **DATA ACTIVATION**
Use data to create personalized experiences

How to Create a Customer Data Management Strategy

A customer data management strategy (or customer data strategy) is defined as the process and tools used by an organisation to enable the collection, organization, analysis, and delivery of data in support of business objectives. In other words, a customer data strategy encompasses how the organization will obtain the data, organize it, and put it to use to achieve desired goals.

Every organization's customer data strategy is different, but generally, the most effective customer data strategies are made up of the following six steps.

Customer Data Strategy:
How an organization obtains, organizes and uses data to achieve desired goals

1. Assess the current state of data capabilities and uses of customer data (Data Assessment)
2. Align business goals and use cases across the business (Data-Driven Objectives)
3. Decide how and what customer data to collect (Data Collection)
4. Gain an understanding of customers (Data Segmentation)
5. Turn your customer data into actionable insights (Data Analytics)
6. Use data to create personalized experiences (Data Activation)

1 DATA ASSESSMENT
Assess the current state of data collection and uses of customer data

The first step to building a successful customer data strategy is understanding where your organization is today in terms of data needs and data collection, as well as how the data is currently used across the business. This assessment phase is a critical part of your data journey. If carried out properly, it will help you identify the most valuable data assets in your business, highlight the current gaps and opportunities, and determine the changes required to close these gaps and deliver your strategy and vision.

A data strategy assessment can help you to identify the data needs of your business and find the right data to support each use case. But it's not just about gathering data. You also need to consider who will be using the data and how they will use it. All key business stakeholders — from marketing to technology to product to customer service to legal to data science and beyond — need to be involved in this process to make sure the strategy meets everyone's needs.

Here are a few questions to ask to help build your customer data roadmap:

- *Who are the key customer data strategy stakeholders? What are their data needs?*
- *What data does your organization currently collect?*
- *Where does the data live, what systems and who has access?*

- *How is this data used across the business?*
- *Does your current data support business objectives? Where are the gaps?*
- *What resources (people, technologies, etc.) are needed to close tahese gaps?*

2 DATA-DRIVEN OBJECTIVES
Align business goals and use cases across the business

The development of a customer data strategy is essential for any organization that wants to create a sustainable competitive advantage. The customer data strategy should be driven by the organization's overall business strategy and designed to support the achievement of key objectives.

Customer experience should be central to every business decision. Before you start collecting data, make sure that you have a clear purpose for it. Identify why you're collecting the data you collect today and how that data will be used to achieve strategic goals and generate real value.

To achieve scale, consider enriching zero- and first-party data with high quality second- and third-party data.

Here are a few questions to ask to help build your customer data roadmap:

- *What are the strategic business goals and objectives?*
- *What are the main customer data projects and use cases?*
- *What are the strategic business goals that those use cases will support?*

- *Who is the person or team responsible for those use cases?*
- *What skills do we need to deliver those use cases?*
- *How will the success of those use cases be measured? What are the KPIs?*

3 DATA COLLECTION
Decide how and what customer data to collect

Customer data collection is a critical part of any business, but it can be difficult to know where to start. As already mentioned, the first step in collecting customer data is defining your needs. It's important you have a clear understanding of what information you need from your customers, as well as why you need it. Collecting more than you need or will use, can open your business up to unnecessary risk and noise.

For our context, customer data is defined as the information your customers provide while interacting with your organization via your website, mobile apps, social networks, marketing campaigns, smart TVs, and other online and offline channels. The data generated by those interactions can be classified into four main categories:

Identity Data: declared data such as name and email address and/or pseudonymous data such as web browser cookies and device IDs.

Behavioral Data: data on how the customer interacts with your service or product such as page views, product usage, social engagement, etc.

Transactional Data: data from products purchased, basket value, spend levels, etc.

Attitudinal Data: data about customer perceptions, motivations, and opinions toward a product, brand, or customer experience.

In order to have a more complete picture of your customers, and better understand their needs and preferences, it is also beneficial to explore data from different sources. Data can be categorized as:

Zero-party: Information a customer intentionally and proactively shares

First-party: information collected from any direct interaction with your customers

Second-party: another company's first-party data shared through a direct partnership

Third-party: information collected or distributed by a third-party source, typically provided by a data aggregator

All four types of data listed above should be considered when formulating your customer data strategy. While zero-party data and first-party data can be extremely valuable in providing specific customer insights, they doesn't always provide enough scale. By expanding and **enriching these data types** with second- and third-party data, marketers and agencies can gain an even more panoramic view of their customers, at scale.

Here are a few questions you should ask to assess your data collection:

- *What data do we need to support the business cases?*
- *How are we going to collect and organize the data?*
- *What are the tools and technology needed to deliver the use cases?*
- *Where are we going to store, process, and analyze the data?*
- *How do we ensure data quality, security, ethics, and privacy?*

4 — DATA SEGMENTATION
Organizing your customers into unique market segments

As a customer-centric organization, one of your primary goals is to reach the right people with the right message. That's where data segmentation comes in. Data segmentation is the process of dividing your customers into smaller groups so you can better target your marketing efforts to their desires.

There are different ways to segment your customers, but the most common forms are:

Demographic segmentation: based on elements such as age, gender, education, income, occupation, etc.

Behavioral segmentation: based on elements such as purchase, consumption, lifestyle, and usage

Geographic segmentation: based on location data

Psychographic segmentation: based on lifestyle, personality traits, values, and interests data

Once you've decided how to segment your customers, determine the benefits and value each segment will derive from your product or service in order to tailor engagements and marketing messages that resonate.

Here are a few questions to consider:

- *What is the main objective of our marketing segmentation?*
- *Who are our target segments?*
- *What do we need to know about our target segments?*

- *How do we want to reach those segments?*
- *Are those segments large enough or refined enough?*

5 DATA ANALYTICS
Turning your customer data into actionable insights

Customer analytics is the process of capturing and leveraging customer data analysis to identify, attract and retain customers. The more your organization understands your customers' attributes, behaviors, and trends, the more precisely your business can identify similarities between customers and predict how the different groups of buyers might behave in the future.

To help transform your customer data into valuable information and consistently produce actionable insights, your customer data strategy should provide recommendations and best practices on how to manage the full data analysis process. There are different ways to develop this process, but a typical customer data analysis includes the following steps:

Step 1 - Define the business questions you are trying to answer, and how often

Step 2 - Set the goals and metrics you intend to measure

Step 3 - Determine how to analyze the relevant data

Step 4 - Decide how to present the findings to stakeholders

Here are a few questions to consider:

- *What business problem are we trying to solve?*
- *What do we expect to learn from the data?*
- *Which sources of data will help us answer this question?*
- *What system and resources are required to analyze the data?*

- *How are we going to present the results?*
- *Are we going to build new reports or dashboards?*

Data activation is the activity to convert data insights into actions. In other words, data activation is the process used by marketers to leverage valuable data and insights to improve customer experience and marketing performance across all channels. McKinsey has defined data activation and personalization as the heartbeat of modern marketing.

In a world where consumers are inundated with marketing messages, data activation ensures that the right message is delivered to the right person at the right time, resulting in more relevant and engaging customer experiences across every touchpoint. To orchestrate and deliver those seamless and personalized customer experiences, organizations need to have the right tool and capabilities in place. There are many tools available in the market such as data management and customer data platforms as well as marketing automation platforms, and it is not unusual for companies to use a combination of those solutions to achieve effective omnichannel data activation.

Customer data is typically activated across marketing channels, and choosing the right mix of channels is one of the main challenges marketers face today. There are a variety of marketing channels available (email, social media, display, search, etc.) but not all marketing channels are a good fit. Your customer data strategy should help you to get clarity on your data activation plans, and guide you in the selection of the best marketing channels to reach your customers.

Here are a few questions to consider:

- *What are our goals for data activation?*
- *Where and how do our customers consume content?*
- *What types of content and topics are they interested in?*
- *Which channels will be most effective for reaching our target audience?*
- *How will we measure the success of our data activation?*

There are numerous elements that a customer data strategy needs to incorporate and plan for. It takes time and resources to become a successful data and insights-driven organization, and as shown in a recent CMO Council poll, having a clear customer data framework provides organizations with a competitive advantage.

As you develop your data strategy, remember the six steps defined above: Data assessment, data-driven objectives, data collection, data segmentation, data analytics, and data activation. All are critical elements to overcome data challenges and become a successful customer-centric organization.

The technology you use today, such as a Customer Data Platform (CDP), and the partners you work with can have a significant impact on the success of your customer data strategy, and the time it takes to achieve your goals. According to Forrester's May 2022 report, 90% of first generation CDP buyers are not satisfied. CDPs solve most marketing needs, but fall short when it comes to advertising needs.

Spherical, powered by Lotame, is a customer data accelerator. Its suite of solutions extract the maximum value of a brand's first-party data by connecting with leading CDPs to enable persona development, enrichment, analysis and advertising activation. With Spherical, brands and agencies can:

Only 10% of CDP owners today feel the product meets all needs, per Forrester.

- *Unify fragmented marketing and advertising data*

- *Expand audiences for advanced prospecting using machine learning, lookalike modeling and access to a trusted data marketplace*

- *Preserve and improve activation and measurement with a proven cookieless identity framework*

- *Ensure regional and global compliance with auditable privacy management tools*

Learn more about Spherical and how we can help you build your customer data strategy here.