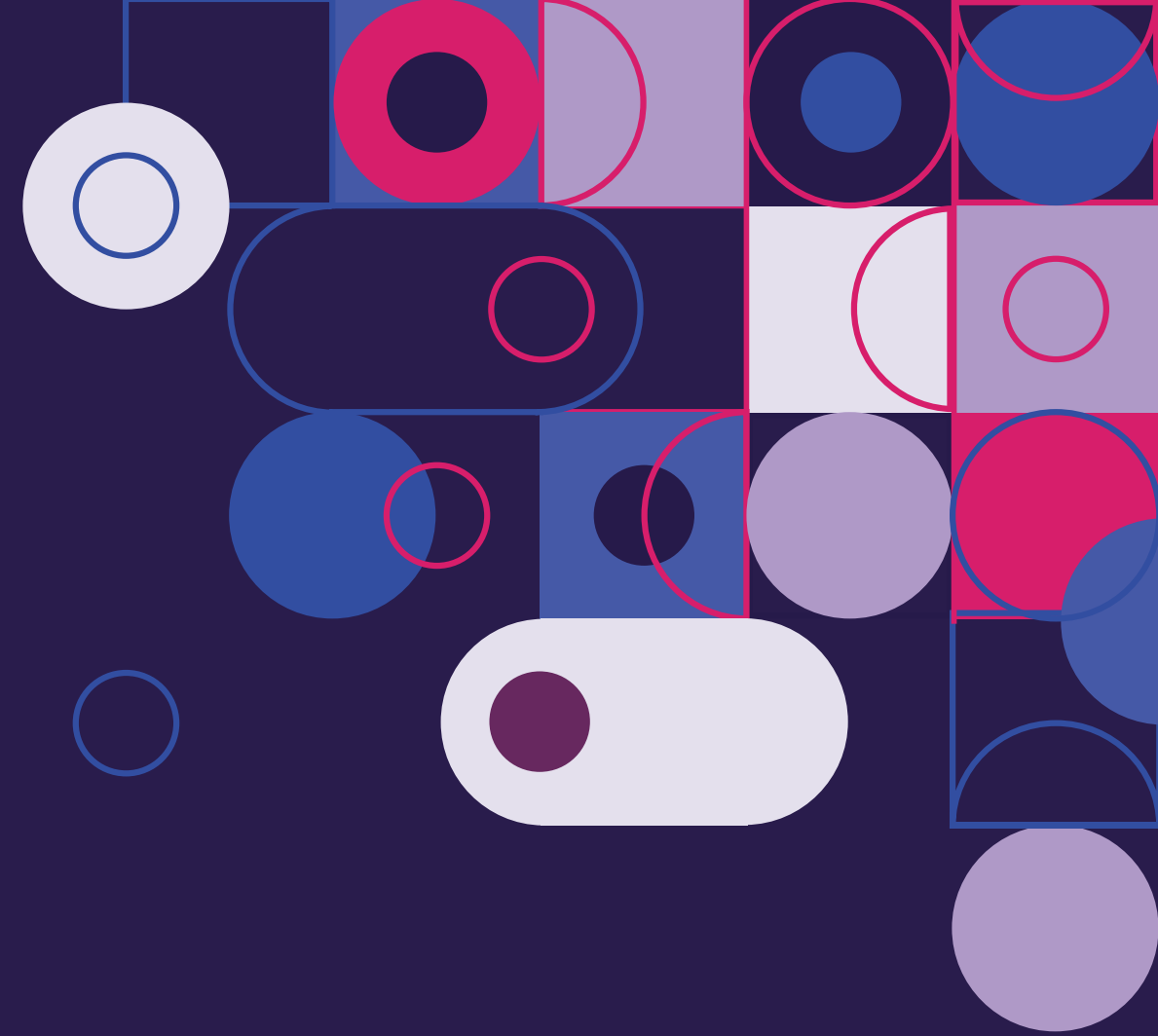




# 2022 State of Customer Data

The latest trends in data & usage in a privacy-centric world



# The world of **customer data** is changing.

The catalyst is growing concern over how brands use customer data and the privacy legislation created to protect this data. First with GDPR, followed by CCPA; however, the most recent changes to iOS tracking and Google's planned removal of third-party cookie access have left marketers unsure how to move forward in this privacy-centric world.



# Introduction

New privacy concerns center around the different types of customer data and how brands collect and use each type. While this report will focus on zero and first-party, data comes in four degrees from zero to third. Here is how we define the different types of data:

**3rd party:** Collected information by an entity that does not have a direct relationship with the user. By and large, companies buy third-party data and use it without the customer's consent.

**2nd party:** Gathered data by another organization via direct relationship with their customer. It is still usable as long as the consumers have accepted the privacy policies of whoever collected it.

**1st party:** First-party data is information a company collects directly from its customers. This information is data you own and is compiled based on customer behavior through sites and channels that you own.

**0 party:** Data that a customer intentionally shares, including preference center data, purchase intentions, or personal context.

With these privacy concerns, third-party data has become a risky and less reliable source of data and an area you should filter out of your data collection practice. Yet, while second-party is currently useable, we predict it is only a matter of time before this data type has similar restrictions. Stop relying on third-party and second-party data, and prioritize the other two types.

Using first-party and zero-party data is the simplest solution to these privacy concerns and is the most accurate data. It is information you own and can control how it is collected. However, most marketers are not confident in the data they are collecting or how to use it. In the 2021 US Nielsen Annual Marketing Report, 86% of marketers recognized the importance of first-party data but were not confident in their data overall<sup>1</sup>.

In this report, we examine emerging trends in the world of customer data. Then, we will look at how our clients successfully use their first-party and zero-party data to increase campaign performance. The final piece is talking with other leaders in the customer data space to see their recommendations on future data applications.

# Who We Are

Simon Data is the industry-leading Customer Data Platform (CDP) that empowers brands to deliver data-driven, personalized customer experiences anywhere. The platform leverages enterprise-scale big data and machine learning to power customer communications in any channel. Simon's unique approach allows brands like BarkBox, Venmo, The Farmer's Dog, ASOS, Jet Blue, Tripadvisor, Equinox, and many more to develop and deliver incredible personalization without needing to build and maintain massive, bespoke data infrastructure.



## 5 Trends In Customer Data

What we see happening in the world of data and how it affects how you should be using your data today.

- **Greater Privacy Concerns** - Consumers are aware that data is being collected and used without their permission and don't like it.
- **More Data Available** - An increase in the amount of data available to marketers
- **Lack of Confidence in Usage** - Despite the large amount of data available to them, marketers are unsure of how to use this data effectively.
- **Heightened Customer Expectations** - Customers expect an elevated customer experience based on the information they have given you and their experiences elsewhere.
- **Value Exchange** - Companies ask for valuable customer data to enhance customer experience. It's a win-win as long as you hold up your end of the deal.

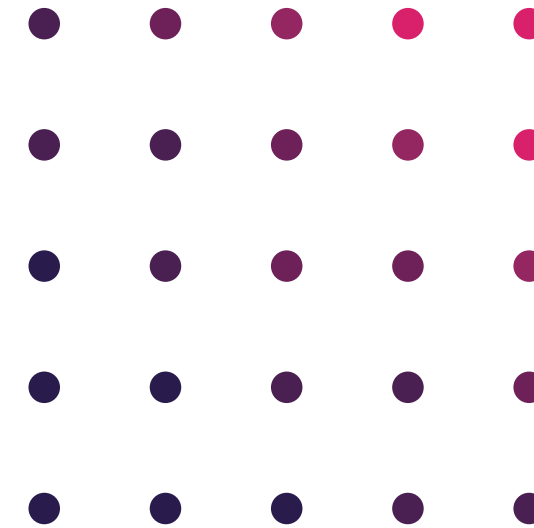


## Greater Privacy Concerns

Over the past few years, changes to customer data regulations have shifted the way businesses need to think about how they collect and use their customer data. The biggest of these shifts happened when Google announced it would block third-party cookie tracking.

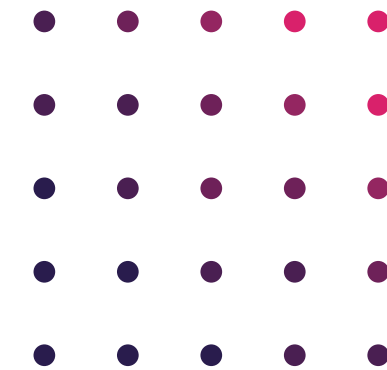
Customers want to have more control over what data companies can gather. A reported 88% of customers want consent over how their data usage. We suspect this number will only increase, so we predict similar restrictions to second-party data usage.

Only 7% of consumers know how companies use their information once they have given consent <sup>2</sup>. As marketers, it's our job to inform users of intended data usage. In fact, customers are more likely to opt into data collection if they see the enhanced value gained from using their data.



**7% of brands** that do not mention marketing activities in their privacy policy were found to use marketing cookies when their website was tested.

**88% of consumers** want to have more control over the consent they give, but when it comes to maintaining it there's resistance to arbitrary time periods of refreshing consent.

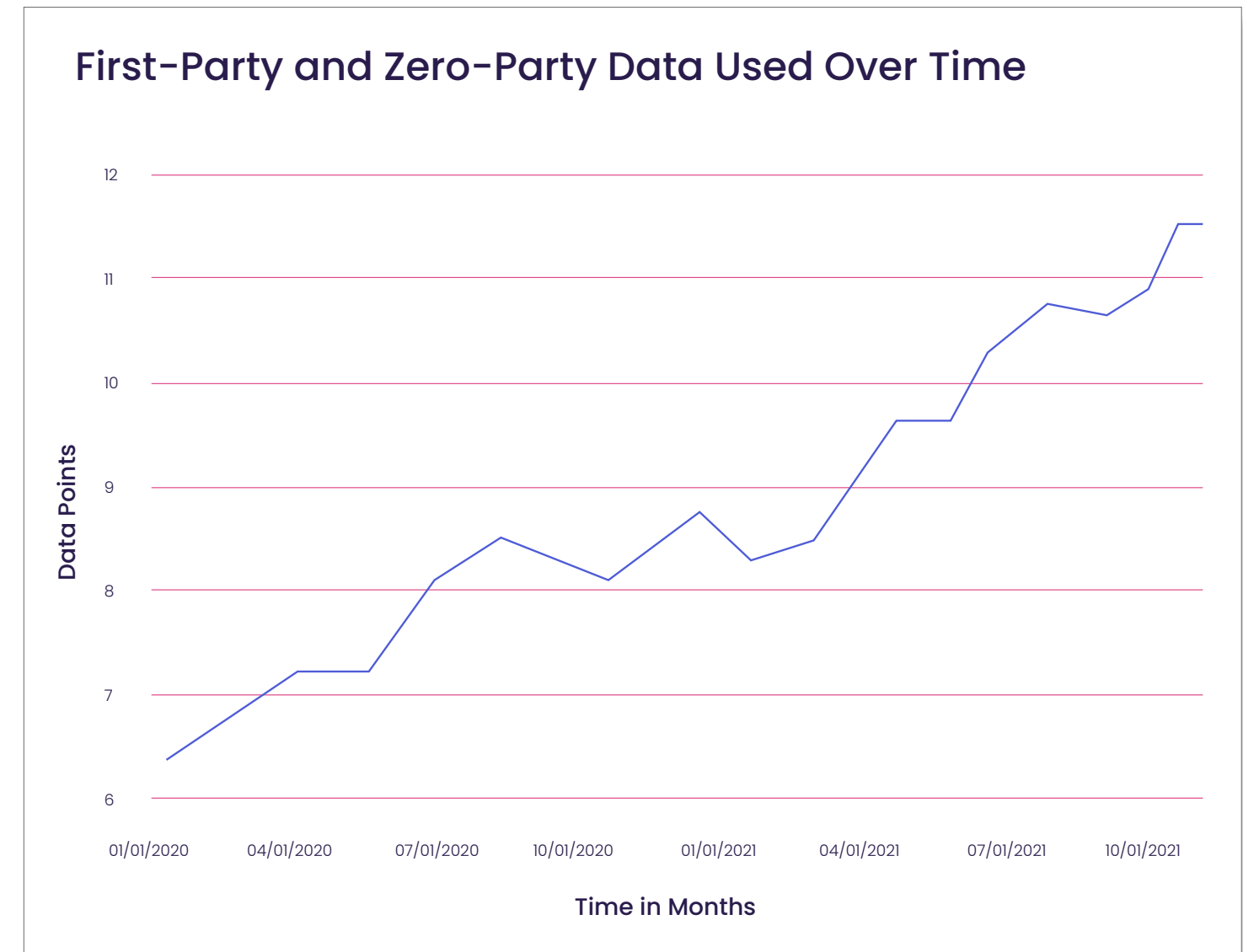


## More Data Available

Despite the growing concern around data privacy and the protections put in place, marketers have more data available than ever before. In the last two years, 90% of the world's data was created. Ultimately, the more data available to marketers, the more personalized marketing campaigns are, which increases campaign effectiveness.

## Data Usage Over Time

We see this trend affect the amount of data our customers use as time increases. The graph below shows this correlation via data usage in campaigns over the last year. In 2020, clients were using six fields of information per campaign on average. Now, they use eleven on average. As time goes on, we only expect these numbers to increase.



## Lack of Confidence in Usage

The flipside to more data being made available is feeling overwhelmed by the amount of data you can access. This overload can lead to not knowing how to utilize your collected information properly. Many marketers struggle with a lack of data integration between technologies or data sources. This gap translates into difficulty turning actions into insights and ultimately proving ROI <sup>3</sup>.

The graph below is from a report commissioned for Simon Data by Forrester consulting. It shows how advanced organizations feel when applying customer data to particular fields. Given only two options, most respondents did not feel highly confident in their abilities. Additionally, the response tally was under 100%, meaning a proportion of surveyors felt such a lack of confidence that they declined to respond.



This is precisely the problem we saw when working with Tripadvisor. They collected a large amount of data from various sources. Still, they had no aggregated view of all of their customer data. Not being able to see or access all your data can create a sense of uncertainty about what you’re doing.

While we would all prefer to operate with perfect information on our customer preferences. However, creating a single customer view where all the data you have collected is available is the best way to understand your customer’s behavior. That’s what Simon + Snowflake enabled for Tripadvisor’s marketing team- a complete picture of all of their data and behavior.

Tripadvisor’s marketing team now has full access to their customer data. They can confidently build hyper-personalized marketing campaigns based on historical and real-time events. Also, they can easily layer on paid media targeting using their own first-party and zero-party data without relying on third-party cookies <sup>4</sup>.



## Heightened Customer Expectations

A key piece of zero-party data collection is having the user opt-in to give you information. Because they are opting-in, they know what data you have and expect you to use it to deliver value. However, most customers don't feel you are using that information to meet their expectations. That's just one piece of why customers' expectations are at an all-time high.

As more companies adopt and create ways to collect and harness their zero-party and first-party data, consumers begin making comparisons. As welcome quizzes and product recommendations become commonplace, consumers compare brands' digital experiences to others. If you aren't utilizing your customer's collected data, you probably aren't meeting their minimum expectations for a personalized experience.

We will dive more into this trend in the point below.

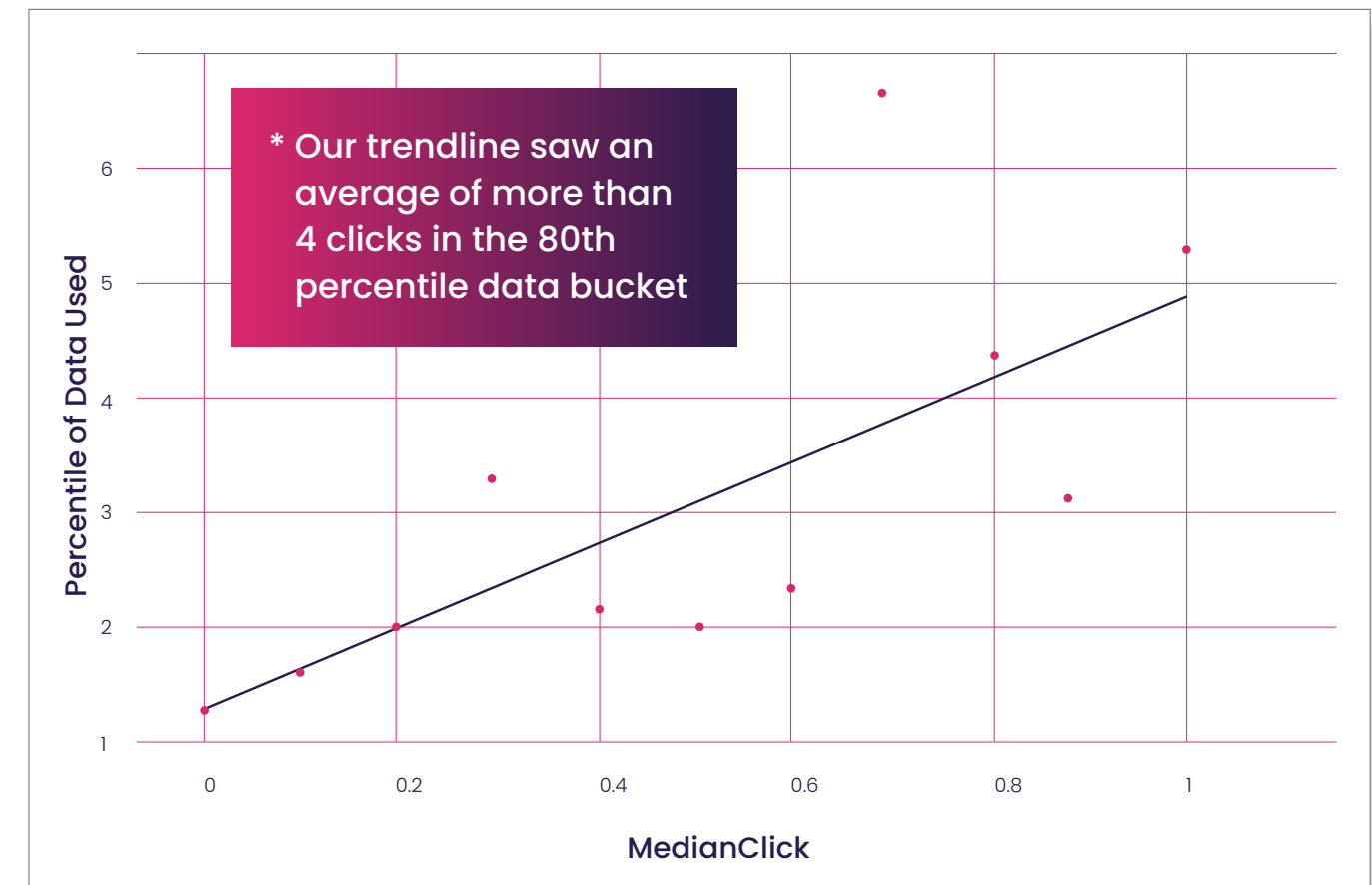


## Value Exchange

Zero-party data collection, when done right, is about collecting data to exchange value with your customer. Not only does collecting data directly from your customers directly help you comply with privacy regulations, but it also is an easier way to know what your customer wants. People are willing to give you information when they see this data used to customize and enhance their experiences.

Capturing customer data is an essential part of maximizing the value exchange. Still, using the information once you have it is just as important. We see our top-performing clients also use the most amount of zero-party and first-party customer data.

The top forty percent of our zero-party and first-party data users have campaigns that perform 2.9x better than the bottom twenty percent on the graph below. We also see that each additional data point included leads to an average of a 3% increase in a campaign's performance.



For example, our customer, The Farmer's Dog, is a subscription dog food company. They use their top-of-funnel/pre-purchase quizzes to gather twenty to thirty data points on a visitor's pet. Initially, they use this information to offer portion recommendations. However, once a user becomes a customer, the data can also provide different advice based on breed size or if their dog is a picky eater. This type of high-value personalized experience needs many data points to function successfully. Customers are willing to give those data points for these highly personalized experiences.

## How Our Clients Use Their Data

Here's how the companies that use Simon Data respond to these trends and utilize their first-party and zero-party data.

When writing this report, we sought to answer two things: what is our average client usage of first-party and zero-party data? And, how much first-party/zero-party data do we see our most successful clients using? We have defined success as campaign performance via conversion rates for this report. With that lens in mind, let's take a deeper dive into the findings.

### Benchmarks

Here is the median usage of first-party and zero-party data from our clients.

- 11 campaign integrations
- 72 zero/first-party data points per segments
- 27 zero/first-party data points per content
- 12 zero/first-party data points per flow

Looking at the chart, you can see that while those are our median benchmarks, our clients in the 75th and 90th percentile are using more data points per campaign, integration, and segment <sup>5</sup>.

		25th perc	median	mean	75th perc	90th perc
<b>Data level</b>	<b>Field type</b>					
	<b>Content</b>	2.00	4.0	8.088000	10.00	18.0
<b>Campaign</b>	<b>Content + Segment</b>	9.00	12.0	16.952618	20.00	30.0
	<b>Segment</b>	5.00	7.0	7.962594	10.00	17.0
	<b># Integrations</b>	8.00	11.0	11.225490	14.00	16.0
<b>Organization</b>	<b>Content</b>	12.00	27.0	75.415094	71.00	253.4
	<b>Content + Segment</b>	42.75	94.0	155.788462	169.50	397.3
	<b>Segment</b>	29.00	71.5	79.153846	108.75	170.5

# What This Means

## The More Data the Better

The data usage to median click chart shows a positive trend with no sign of decline. Which is to say, we have no reason to believe you can ever use too much data. Therefore, the more data points you can leverage in any given campaign, the better that campaign will perform.

We have already touched on the pros and cons of this point in the trends section. There is more data available than ever. However, marketers aren't confident in tapping into the data goldmine to achieve their desired results. This problem leads us to our second takeaway; data isn't the problem. It's all in using the data correctly.

## Mastering Data Usage

In the value exchange section, we saw most data points working with the trend line. However, another critical indicator is points working against the positive trend. Why do most clients get more clicks per data used, but a few seem to perform worse as they scale up? The answer to this lies in the misuse of data.

Customers want you to use their data to create a personalized experience. The more data you can properly utilize, the more effective a campaign will be. However, over-personalizing can lead to customers feeling creeped out.<sup>5</sup>

There's a fine line you have to walk between leveraging the data to create campaigns vs. throwing too much personalization in your messaging. In several recent studies, percentages as high as 75% of customers found forms of personalization to be creepy. First-party and zero-party data help with the creepiness factor since you ask your customers directly for their data. However, you still need to be careful of presenting that data.

## What Makes Marketing Tactics Creepy and Annoying



Data can have excellent results when properly used to enhance a customer's experience without coming off as creepy. We see boosts in campaign performance from our client data when they harness the power of zero and first-party data. However, improper use of data, particularly data you didn't ask the customer to use, can lead to annoyance. Transparency and communication are essential to successful data usage.

# Why it Matters

## Protects From Future Changes

As we have seen over the past decade, customers' interest in data usage and collection has piqued. Privacy concerns have led to more regulations created to protect consumers. Gathering and collecting your own data is the best way to protect yourself from future privacy changes.

Zero-party and first-party data not only ensures customer consent but is a scalable framework for data collection. The earlier you move into collecting and utilizing your own data, the more prepared you will be for future changes. Moving forward, you can deliver a positive impact and build stronger relationships for your customers.

## Controlling of Your Data

Our customers are a huge source of potential. Suppose you can do a better job of establishing meaningful relationships that deliver value. In that case, they will be more likely to come back and then generate 5x higher revenue per visit than a new customer. The best way to enhance their experience is by using zero-party and first-party data.

Collecting data is also the best way to gain the information you need to run successful campaigns. Instead of receiving data on your customer and hoping to find data that will give insights, you can control the collection.

Choosing which information you gather about your customers gives you unique insights and is instrumental in building trust. This control gives a leg up in delivering those high-value, high-impact experiences.

## Improve Customer Experience

Consumers are aware of the amount of data you gather about them. They expect you to use it to enhance their customer experience, which means more than just using their name to personalize messaging. They expect marketers to go past personalization and tailor experiences uniquely for them.

What does the data you have collected tell you about your customer's preferences? Can you tailor recommendations or products received based on what they have done in the past? Rather than use the customer data you have to tell you about how a customer is behaving, the goal is to use the information to create extraordinary customer experiences. Genuinely connecting with your customer is about understanding their wants and needs. This connection is made best by leveraging your first-party and zero-party data. Tailoring is the key to building long-term relationships and trust.

# The Future of Data Strategy

## Overview

Overall, we see our top performing clients embrace trends in data and transition fully to first-party and zero-party usage. To that point, we reached out to some of the best minds in data to see how they think about these trends and how to adjust strategy to keep in line with these shifts.

## Taking Advantage of Data Availability

How Ganesh Subramanian, Director of Product Marketing at Snowflake thinks about usage in the everchanging world of customer data. Snowflake is a cloud computing-based data warehousing company that delivers a single and seamless experience across multiple public clouds.

“ With all of the disruptions over the past two years, we saw a common theme emerge. Across industries, businesses with a strong data foundation acted quickly to change course and innovate. They were able to leverage all of the data at their disposal to meet changing customer expectations. For instance, they stood up eCommerce channels, delivered personalized engagements across digital touchpoints, launched new fulfillment methodologies like click-and-collect, and more. Meanwhile, businesses stuck with legacy technology infrastructure floundered. Burdened by data silos, many businesses were unable to meet the demands of a changing marketplace.

When it comes to meeting privacy regulations, we are seeing the same theme emerge. Customer experience leaders recognize that they can no longer rely exclusively on 3rd parties to drive their customer data strategy. In order to differentiate and drive growth, we expect to see more businesses own their own data foundation, prioritize consented data provided by customers, and link together previously siloed functions and partners. While “Customer 360” is not a new idea, with legacy technology, it was unthinkable. Today, technology like Data Cloud is unlocking new opportunities and businesses need to catch up.

Going forward, we expect data maturity – or the ability to leverage data across the business – to continue to drive competitive differentiation. While we don’t know what disruption will come next, we know that businesses that have control of their data will outcompete those that don’t.



–Ganesh Subramanian,  
Director of Product Marketing at Snowflake

## Use Your Data with Certainty

How Tim Duncan, Product Growth Lead at Bottle Rocket thinks about confidence in using your data. Bottle Rocket is an experience consultancy that provides business strategy, product, design and technology services that drive business results and exceed customer expectations.

Data is the fuel that powers a martech stack and its quality and richness has everything to do with how confident your marketing teams will be in the campaigns they deliver. Moving into 2022, being able to make sense of and properly action on this data will start to become table stakes for most serious digital marketing organizations. There is a compounding effect that eats away at long term growth for marketing teams that seemingly never reach a place where they have a robust data profile that they efficiently action on across all their digital channels. Using a composable CDP like Simon Data that give both marketers the flexibility to collect data but also make sense and action on it is an easy way to set teams up for success in this area.



**-Tim Duncan,**  
*Product Growth Lead at Bottle Rocket  
(Ogilvy Experience)*

## Respecting Customer Privacy

How Peter Rice, Director of Marketing Systems at Kepler Group thinks about developing trust in a privacy-centric world. Kepler Group is a global agency with a focus on helping its clients harness the power of data, technology.

“Developing customer trust is paramount to building loyalty and presenting a brand image that is authentic and inviting. Customers’ expectations for choice and control over the data they generate has grown massively over the past few years, and at the same time, technical and legislative initiatives have limited the granularity and speed at which brands can collect and enhance user information broadly. For this reason, it is critically important that brands have control over their own data. Without this control, it is significantly more difficult to collect, maintain and respect consent signals, and it will become increasingly difficult to still provide authentic, personalized and relevant experiences to customers. Brands that are able to gain this control and maintain transparency will be better positioned to make great use of consented data.”



**-Peter Rice,**  
*Director Marketing Systems Strategy  
at Kepler Group*

## Use Your Data with Certainty

How Nathan Poorbaugh, Principal Solutions Architect at Blast Analytics thinks about creating a value exchange when asking for customer information. Blast Analytics is a strategic analytics consulting company accelerating the complex analytics journey for enterprise and mid-market clients.

“ Personalization is the lynchpin to optimizing digital experiences and creating brand loyalty. With customers becoming more savvy and protective of their data, greater transparency and value exchange will be required for brands to collect and use any sort of meaningful personal data. Our initial recommendations include:

- Personalize the “ask” for consent. Be mindful of requesting this on first touch; your chance of success is higher once users are engaged and building trust.
- Explicitly communicate the data you’re collecting and how you plan to use it. Emphasize your intent to personalize – and the benefits of doing so – while respecting their privacy.

- Implement a first- and zero-party data strategy. Combining what you’ve collected directly with data that users intentionally share will help you balance personalization with privacy.
- Leverage a CDP. By unifying your customer data and building target audiences, you can more meaningfully activate your personalization efforts across marketing channels.

This provides a foundation for the futuristic “user data center,” whereby customers will have full ownership and control of their data shared with brands. (Prediction: The first brand to offer a “Forget Me” button that washes away all personal data will make big news – and likely increase affinity with prospects and customers.)



–Nathan Poorbaugh,  
*Principal Solutions Architect at Blast Analytics*



## Exceeding Customer Expectations

How Shana Pilewski, Director of Marketing at Dynamic Yield, thinks about exceeding customer expectations in a data-driven world. Dynamic Yield is a technology company that provides digital customer experience services to businesses using ML and automation to optimize customer experiences.

“ For all of the data that exists in the world, companies continue to struggle with using it to generate meaningful business results. Even in a perfect world, where information is able to flow freely across the marketing technology stack for a single view of the customer from which to act against, teams often don't know how to implement it. All the while, the larger ecosystem continues to preach that the more data you have, the greater the relevance of a digital experience – a gap that has created frustration among those who lack the internal process and structure to effectively scale activities like personalization. This is largely why Dynamic Yield has developed a simple framework that enables teams to do just that.

Referred to as Root Audiences, the basic idea is that brands should create 3-4 audiences (who cover the majority of their traffic) based on a single segmentation principle. For example, purchase intent, lifetime value, and so on. This allows teams to easily get started, continuously learn from the behavior of these audiences, and at the same time, institutionalize insights that bring brands closer to their customers, help them further refine their strategies, improve KPIs, and subsequently, achieve incrementality.

We hope this will become a growing trend in 2022, as those who go this route are likely to yield greater success over both the short and long term. In fact, in Dynamic Yield's 2021 State of Personalization Maturity research, we found that brands in our customer base reported higher overall levels of maturity than the rest of the market. In the area of data, specifically, 31% of general respondents shared that they are very effective in their use of data for making informed decisions across marketing initiatives, a number that jumped to 58% for our clients. Because of this, brands in our network were also able to deliver greater levels of personalization and ultimately, showcase stronger, more quantitative success stories to back up their impact. The takeaway: whatever the technology, process is just as important.



**-Shana Pilewski,**  
*Marketing Director at Dynamic Yield*

# Recap: 5 Takeaways

- Own data collection and prioritize consented data provided by the customer
- Being able to make sense of and use data will become table stakes
- Brands that can maintain transparency can make better use of consented data
- Combining directly collected data with shared information will balance personalization with privacy
- Technology is only one piece, you need best practices of data usage to succeed

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