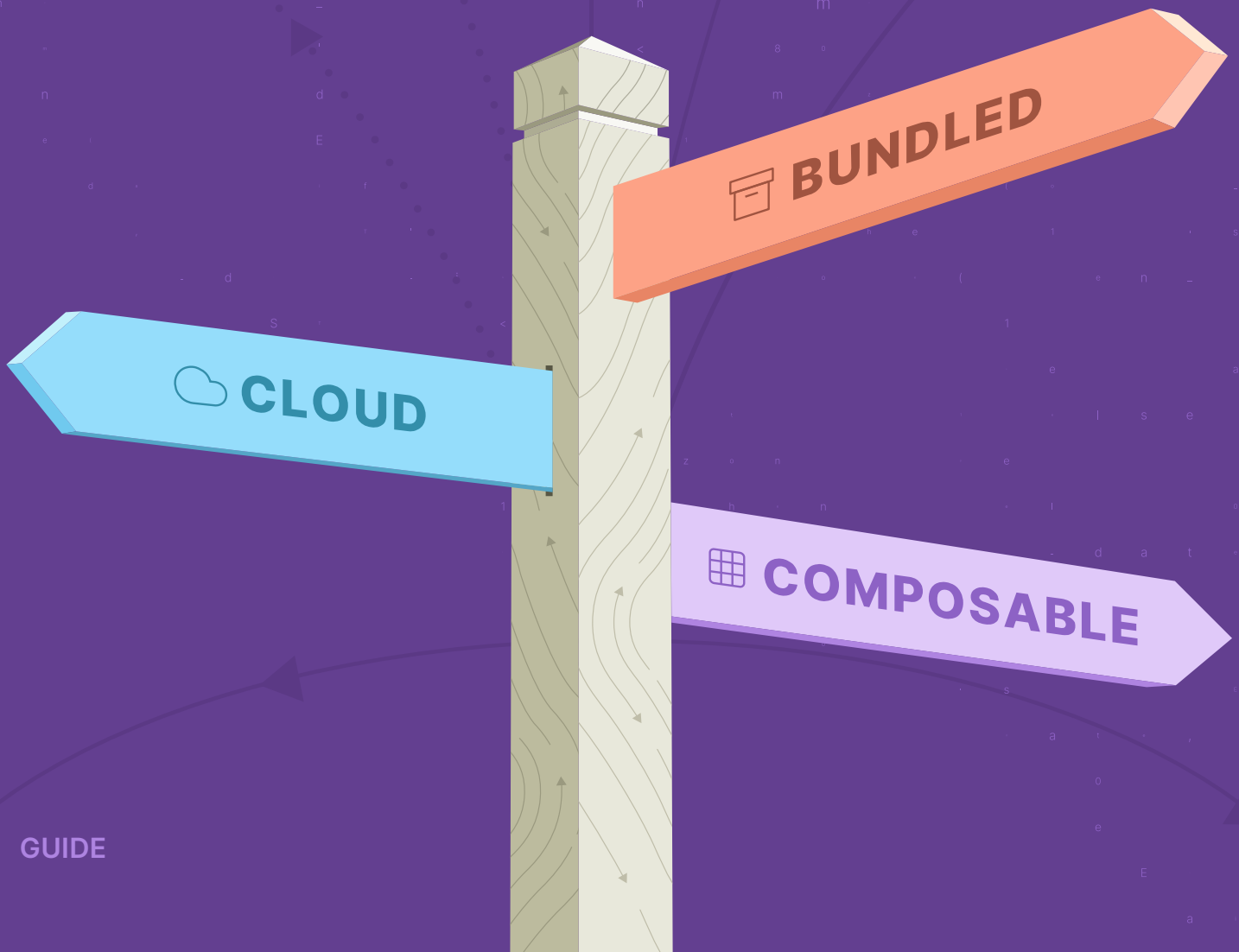


2023 CDP Market Guide



GUIDE

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The State of Customer Data Platforms

As enterprise brands evaluate customer data platforms (CDPs), they often face challenges in balancing the diverse needs of different teams.

Nowhere is this more evident than in the competing priorities of marketing and IT teams. As [Deloitte observes](#), the CDP that sounds like music to the ears of marketing leaders may be perceived as noise by enterprise IT leaders. On the other hand, the CDP focused on providing flexible data management capabilities may appeal to IT while leaving marketing with unmet needs.

The result is CDP initiatives that fail to deliver. Meanwhile, 75% of consumers are saying they'll [pay more for highly personalized, impactful customer experiences](#) – something brands will want to capitalize on with looming economic uncertainty. How can enterprises overcome the friction that comes with most packaged CDP deployments?

Enter the composable technology stack. In the past year, many CDP providers and emerging players have addressed this tension between buying groups by unpackaging capabilities or introducing new features designed to address the concerns of IT teams. One such concern is the cost associated with repeatedly copying data from a central data warehouse to a growing number of SaaS applications.

Composable tools are designed to eliminate the need for IT to copy data to a CDP in order for business teams to execute campaigns and analysis. In doing so, composable CDPs are becoming more stack-friendly and promise to appeal to more enterprise organizations.

But the composable technology stack isn't for every enterprise. Use this guide to understand how different approaches will support this complete solution and which providers will best suit the needs of your business.

The Composable Approach

The composable approach offers brands a pathway to the best of what CDPs can offer while maximizing existing workflows and architectural investments.



PROS

- Best-of-breed functionality
- Highest levels of data security
- Fulfills diverse organizational needs



CONS

- Requires in-house data expertise
- Immature market with few options

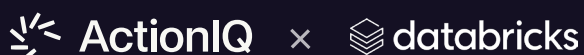
What is a composable CDP?

Traditional CDP offerings are typically “bundled” infrastructure and applications, in which the vendor maintains a copy of the necessary customer data in a cloud data warehouse. While still effective for many use cases, bundled CDPs quickly become duplicative when companies invest in their own data infrastructure – often in the course of centralizing data across the enterprise. In addition, when data is copied from internal infrastructure to “bundled” CDP infrastructure, it creates additional costs and security risks as copies of the data are maintained outside of the company’s own security network.

A composable CDP has capabilities to eliminate the need to store copies of data when activating it across business applications. That enables an enterprise to consolidate all of its data in a scalable, secure cloud data environment while offering business teams self-service tooling for building audiences, running analytics and launching campaigns to drive superior customer experiences.




Cloud data companies such as Databricks, Snowflake, Google BigQuery and Amazon Redshift are teaming up with CDPs to enable organizations to unbundle their technology stacks and embrace composability.

“Partnerships such as the one between Databricks and ActionIQ enable IT to centralize customer data and create their own source of truth while still democratizing access to that data across business partners,” said **Steve Sobel, Global Industry Leader for Communications, Media & Entertainment at Databricks**. “This composable approach combines the advantages of the security and scalability of modern cloud solutions with the benefits to revenue growth, operational efficiency and improved CX created by CDPs.”



To learn more about how Databricks and ActionIQ are delivering a next-generation CDP solution, check out our [joint solution brief](#).

So, what are the key characteristics of composable CDPs?

CHARACTERISTICS	DESCRIPTION
 Zero-copy architecture	Zero-copy architecture allows compute on data to be performed in place within a company’s own data infrastructure. This design enables companies to leverage their existing data storage and processing resources, rather than copying data to external systems or vendors.
 No-code	In order for composable CDPs to benefit the IT organization, it needs to enable marketers to self-serve data and insights. As such, composable CDPs must offer a no-code interface into the data warehouse that does not require SQL. The CDP should be able to act as a translation layer between a no-code UI and SQL that will run on the data warehouse.
 Warehouse agnostic	Things change, and the composable CDP should not be tied to a single data warehouse or storage system and should work with any type of data storage system. This is important because it allows the system to be more flexible and adaptable based on client use cases.

One common misconception is that these composability principles can be achieved with the emerging native data sharing capabilities from cloud data vendors, like Snowflake’s Data Shares. Unfortunately, it cannot. While data sharing is a great tool, it only refers to how data is transferred from the customer to the vendor’s data landing zone, like a modern-day file transfer alternative. In order for a bundled CDP to actually process the data, it needs to be transformed and loaded “behind the scenes” from the vendor’s landing zone (the data share) to their data processing platforms, violating the “zero-copy” principle and bringing significant risk and cost. In other words, there is nothing preventing the vendor you are “data sharing” with from transforming and copying your customers’ data, and in fact it’s a requirement for bundled CDPs. **Even with a proper data sharing deployment, a bundled CDP will likely need to make at least one (potentially more) full copy of the data. Marketing clouds, which essentially are a hot mess of acquisitions, may need to do up to a dozen copies of the data!**

Who should adopt a composable CDP?

GOOD FIT

- Brands who are heavily invested in centralizing data in a data warehouse
- Brands with a strong customer 360 initiative and limited business impact
- Brands in highly regulated industries
- Brands needing deep functionality and complex use cases


BAD FIT

- Brands with limited existing infrastructure investment
- Brands with critical tech gaps that can be addressed with bundled CDPs

The Composable Market

If the composable approach is the right one for your business, use the table below to start understanding your options for providers that can support true composability:

Enterprise Focused

REPRESENTATIVE VENDORS	DESCRIPTION
	<p>ActionIQ satisfies the unique requirements for enterprise composability – including zero-copy architecture, a no-code UI and a warehouse agnostic approach – while providing scale and performance that has been tested by the world’s largest companies.</p>

Small-Medium Business Focused

 **hightouch**

Hightouch, Flywheel and Census have gained traction as viable solutions for small- and medium-sized businesses pursuing a composable CDP strategy. All three offer all composable capabilities.

 **FLYWHEEL**

Several limitations make them a less-than-ideal choice for enterprises. Chief among these are that they lack CDP capabilities necessary to support complex enterprise use cases – for example advanced audiences, identity management, journey orchestration, or robust real-time.

 **Census**

Additionally, in an enterprise environment it often is the case that data lives in multiple places and a hybrid strategy (or the option of having one for the future) offers flexibility.

Non-composable Solutions



Much has been written about composability by these vendors, who offer CDP capabilities and aspire to be part of the evolving composable market. However, all of these solutions fall well short of complete composable CDP solutions.

 **Simon**

- **Salesforce, Simon, Acquia:** Not warehouse agnostic and not zero-copy due to data sharing approach

ACQUIA

- **Segment, mParticle:** Not zero-copy due to data connector approach

 **mparticle**

- **Lytics:** Doesn't offer no-code UI for their composable product; data copy required for the full CDP functionality

 **Segment**



For enterprises on the hunt for composability, be wary that these solutions – and many more – will add noise to your search and we recommend raising these questions in conversations with vendors.

The Bundled Approach

The bundled approach offers enterprise and midmarket brands a means to fulfill critical marketing use cases, although mature IT organizations want more flexibility and control.



PROS

- Effective at key personalization & CX use cases
- Designed for business usability first



CONS

- Can be duplicative with other stack capabilities
- Data copying incurs costs and security risks

What is a bundled CDP?

A bundled CDP is a traditional all-in-one solution defined by industry analyst CDP Institute as “packaged software that creates a persistent, unified customer database that is accessible to other systems.”

These solutions combine infrastructure capabilities with business applications and aim to provide an end-to-end solution for collecting, unifying, segmenting, orchestrating and activating customer data.

For organizations who have made limited infrastructure investments or have significant gaps in any of the above areas, bundled CDPs can be a strong choice to deliver time-to-value and support business-critical use cases leveraging customer data.

The weakness of this approach is that when major investments in data collection, unification, and analytics have been made, a bundled CDP will be duplicative to parts of the existing stack. In addition, because a bundled CDP requires operating on a copy of data, it creates additional costs due to operational effort and cloud costs incurred when moving data – not to mention the additional security risk created by having another copy of data in the cloud.

IT organizations involved in a bundled CDP evaluation will quickly recognize that significant data pipeline resources will need to be dedicated to such a solution. Only select CDPs offer an optional “hybrid” deployment model, enabling the flexibility to store some data within an existing infrastructure, and some data within the CDP (while also providing a data warehouse agnostic model and no-code UI for that data). Ask the CDP vendors your company engages with if they offer this functionality.

Who should adopt a bundled CDP?



GOOD FIT

- Brands looking to accelerate data access to business teams with minimal effort
- Brands with limited investments in CX architecture
- Organizations with multiple business units of varying martech sophistication



BAD FIT






- Brands with mature tech stacks and deep infrastructural investments
- Highly regulated organizations seeking maximum data security

The Bundled Market







Two factors are most important when categorizing bundled CDPs: what they were built to do and who they were designed for.

By understanding the original purpose of different offerings — and who their users were intended to be — you can determine both their core outcomes and their usefulness for your organization. For example, a tool designed to help IT teams unify customer profiles will prioritize the configuration of data flows at the expense of business-friendly segmentation and experience orchestration.

With this in mind, bundled CDPs can be sorted into five categories: consolidating customer data from multiple systems, managing identities, extracting insights from customer data, personalizing web experiences or enabling you to personalize omnichannel experiences with customer data.

TYPE	VENDORS	WHAT THEY WERE BUILT TO DO	WHO THEY WERE DESIGNED FOR
Data Integration	 Segment  mparticle  TEALIUM	Data integration CDPs were built to collect event data from digital applications and transmit it to other apps in real time to facilitate system integration and enable triggered communications.	Data integration CDPs are aimed at developers and data engineers within IT to reduce in-house API development.
Known Identity Management	 Amperity &  redpoint	Identity management CDPs were built to collect, match and manage customer profiles from online and offline channels to deduplicate customer records and create a customer 360.	Identity management CDPs are designed for data engineers and analysts on IT teams to define, manage and optimize identity resolution logic and stitch together customer data into a golden record.

The Bundled Market cont.

TYPE	VENDORS	WHAT THEY WERE BUILT TO DO	WHO THEY WERE DESIGNED FOR
Data Science	<p> TREASURE DATA</p> <p></p> <p></p>	<p>Data science CDPs were designed to create analytical models based on customer data to predict behavior.</p>	<p>Data science CDPs are intended to be managed by analysts in charge of producing customer analytics and predictive insights. They're constructed for analytics experts to accelerate the production of such insights via prepackaged models when there is not enough bandwidth for in-house model creation.</p>
Web Personalization	<p></p> <p></p>	<p>Website personalization CDPs were built to personalize and optimize content for website and mobile application visitors.</p>	<p>Website personalization CDPs are geared toward e-commerce professionals to manage content and offers across sites and apps while testing for optimization over time.</p>
Experience Orchestration	<p> ActionIQ</p>	<p>Experience orchestration CDPs were built to scale personalized experiences across all online and offline touchpoints using customers' full profile histories.</p>	<p>Experience orchestration CDPs are designed for marketing, sales and customer service professionals to seamlessly provide personalized customer experiences across channels.</p>

The Marketing Cloud Approach

The marketing cloud approach is a tempting choice for enterprises looking to minimize the number of vendors in their stack, but it doesn't unlock the business value of customer data like other approaches will.



PROS

- Limits number of unique vendors in stack
- Improves interoperability of cloud solutions



CONS

- Creates vendor lock-in and rules out best-of-breed CDP capabilities
- Reliant on technical resources
- Incremental licensing creates high total cost of ownership

What is a marketing cloud CDP?

Marketing cloud CDPs – such as those offered by Salesforce, Adobe and Oracle – are platforms designed to compile data from point solutions within a cloud portfolio and create a single view of the customer. Typically, these CDPs are intended for use by IT departments and are geared towards enterprise organizations that have already invested heavily in other point solutions within the marketing cloud..

While some marketing cloud CDPs are effective in supporting certain use cases – for example, real-time web personalization or multi-channel campaign delivery and dashboarding – they often behave like walled gardens, discouraging users from exporting customer data to non-marketing cloud tools.

Overall, these CDPs can be useful tools for certain organizations, but their limitations may make them unsuitable for most. Brands considering a marketing cloud CDP should carefully evaluate their needs and the potential costs and limitations of these platforms before making a decision.

Who should adopt a marketing cloud CDP?



GOOD FIT

- Brands with large to unlimited budgets






BAD FIT

- Brands looking for fast time-to-value and ROI
- Organizations looking to avoid potential security risks through repeated data copyings
- Organizations utilizing several non-cloud technology providers


The Marketing Cloud Market

Enterprises evaluating a marketing cloud CDP will only be giving serious consideration to the solution offered by the cloud vendor they have a deep relationship with. Use the table below to understand which cloud vendors have an offering worth testing.

☆ Leaders

REPRESENTATIVE VENDORS	DESCRIPTION
  	<p>These marketing clouds built their portfolios primarily through vendor acquisition, but they began in-house development on CDP products after demand rose for such solutions. The sophistication of their CDPs varies, but all fall well short of democratizing customer data across every business team and application.</p> <p>Adobe has an edge on maturity over alternative marketing clouds, with a focus on supporting real-time data flows. Salesforce has touted multiple CDP-like products, some focused on web personalization and others on audience segmentation. Oracle's CDP product offers a technical UI to build profiles, develop audiences, create campaigns, and report on results across its suite.</p> <p>Deploying a marketing cloud CDP may appear to be the easy choice. But analysts and clients warn that deploying one is often costly, effort-intensive and generates questionable ROI. We caution brands evaluating marketing cloud CDPs to ask these vendors to "show" and not "tell" advertised functionalities.</p>

🏗 Aspirants

 	<p>These vendors started more recently in a specific part of the stack – such as SMS channel delivery in Twilio's case – and expanded over time into the CDP market with a mix of acquisition and in-house built solutions.</p> <p>Their CDP strategy takes inspiration from the big marketing cloud suite vendors, and as such they face similar challenges of integrating and developing products originally not meant to work with each other.</p>
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Choose the Right Path for Your Organization

Between startups and legacy technology companies, a dozen new vendors entered the CDP space during the first half of 2022 alone. With so many options available, enterprise brands must cut through the noise to make the right choice.

Start by understanding where you are today, which teams you want to enable and the primary use cases you want to support. But remember: Collecting and analyzing customer data isn't valuable if you can only take limited action on it.

Whether you adopt a composable, bundled or cloud CDP strategy, the ability to operationalize customer data into personalized experiences is crucial.

If you want to deliver compelling CX to the right person at the right time and place, make sure your business teams can access and activate customer insights.

Incremental revenue, operational efficiency and customer loyalty all depend on your ability to leverage your customer data. Choose a CDP that has the enterprise-grade scalability, flexibility and connectivity you need to provide superior customer experiences.





AIQ brings order to CX chaos. Our Customer Experience Hub empowers everyone to be a CX champion by giving business teams the freedom to explore and action on customer data while helping technical teams regain control of where data lives and how it's used.

[Get in touch](#) with our experts to learn more.

