



Customer Data Platforms:

Solving the 5 Key Business Challenges in 2023

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Welcome to **Customer Data Platforms: Solving the 5 Key Business Challenges in 2023**

In this whitepaper, we delve into the transformative power of Customer Data Platforms (CDPs) and their potential impact across diverse industries. Throughout the following pages, we explore how CDPs can help unlock the true potential of customer data, drive personalized experiences, operational efficiency, and gain a competitive edge. Additionally, we discuss the crucial aspects of data governance, responsible AI

integration, and the significance of high-quality first-party data. You'll get a comprehensive understanding of the benefits and challenges associated with CDP adoption, along with real-world case studies that exemplify successful implementations. Let's embark on this insightful journey and discover how CDPs can revolutionize your approach to customer engagement and decision-making.

Introduction

Most organizations now possess massive volumes of invaluable, first-party customer data, and droves of data is being generated externally every day. Yet few organizations are leveraging that data to its full potential.

Every piece of data represents a fragment of a cohesive whole, allowing you to develop a better, truer, deeper understanding of your customers' needs and wants. Each piece of data offers the opportunity for your organization to better serve your customers — but only if you're able to assemble that data into a realistic and actionable representation of your customer.

Enter customer data platforms (CDPs). They've only been around for about 10 years but have evolved as platforms that organizations can use to create and maintain rich, descriptive, unified views of every customer, all while ensuring that the data is scalable, secure and accessible.

There's a growing concern for businesses of every size and industry – how to set up a data platform that actually delivers the insights needed to realize business outcomes without breaking the bank. Hitachi Solutions data experts have been supporting businesses in their data maturity journey for more than a decade, delivering cost-effective solutions that cast a shining light on your customer data and how to use it in energizing new ways.



What is a Customer Data Platform?

Organizations with a data driven culture are 23 times more successful in acquiring new customers, 6 times more likely to retain their customers, and 19 times more likely to be profitable.

- McKinsey Global Institute



Not so long ago, the customer data that companies stored was rudimentary, at best, and limited to basic information such as name, address, and transaction history with the company. This was not enough to build a holistic representation of a customer. Data storage was also limited and quite expensive. Today, massive volumes of customer data are available from a plethora of both internal and external sources. And the ability to store virtually unlimited volumes of data is both attainable and affordable.

CDPs provide a means of leveraging the potential of modern data-gathering and data-storage capabilities because they can aggregate all kinds of structured and unstructured data. CDPs provide pre-built connectors to ingest data from a myriad of sources and integrate that data with all channels of consumer interaction —

transactions, website and mobile engagement, email, or customer service calls. They also provide integration capability to the CRM, operations, finance, and BI platforms you are currently using.

Once data is ingested, a CDP standardizes and transforms all this data by matching individual customer identities from each system (called identity resolution) and combining them into a single consistent and accurate customer profile. Then the profile data is used as input to a variety of processes and systems, for example, analytics, marketing automation, personalization, and social media outreach.

CDPs make it easier and faster for nontechnical people to access and query data. When integrated with reporting systems, dashboards and reports can provide data in a way that makes it actionable.

A Range of Measurable Benefits

Product Improvement

CDPs help manufacturers collect and analyze customer feedback, product usage data, and warranty information to identify areas for product improvement and innovation, and design products that better meet customers' needs.

Customer Support

A comprehensive view of customer interactions helps customer support teams provide more personalized and efficient assistance, leaving both employees and customers with a positive, loyalty-building experience.

Predictive Maintenance

In industries where equipment maintenance is crucial, you can monitor machine performance and gather data on usage patterns, providing for more predictive maintenance, reduction of downtime and overall operational efficiency.

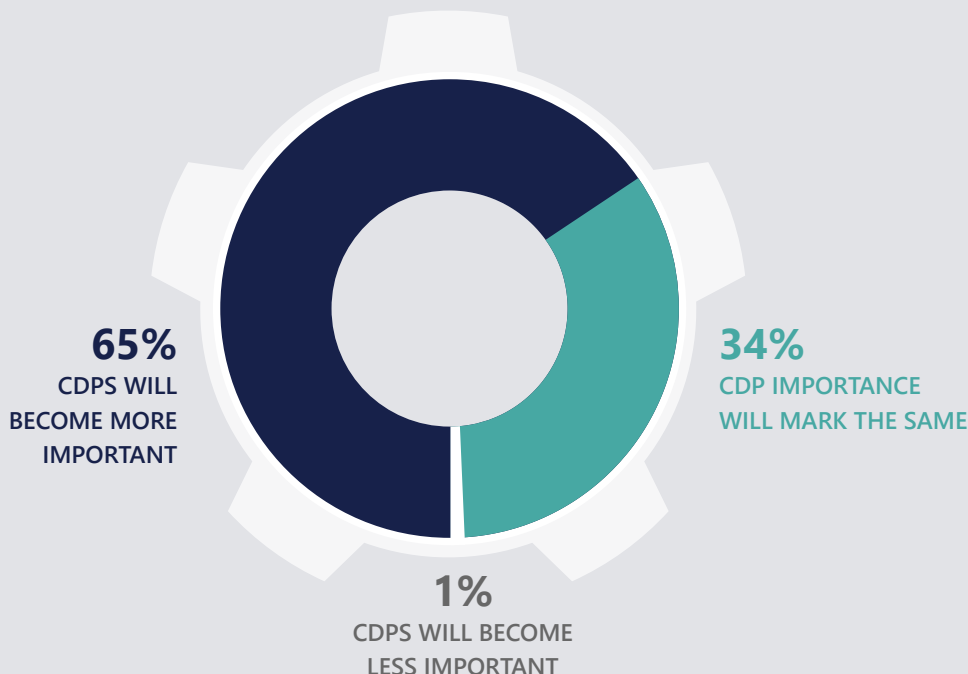
Supply Chain Optimization

Manufacturers can track customer demand patterns, inventory levels, and supply chain performance, using the insights to optimize inventory management, reduce lead times, and enhance overall supply chain efficacy.

Marketing and Sales

When you integrate customer orders, sales inquiries, and marketing interactions, you'll gain insights into customers' buying behaviors so you can create more targeted marketing campaigns and identify cross-selling and upselling opportunities.

How do you expect the role/importance of Customer Data Platforms (CDPs) to change over the next 1 to 2 years?



A CDP can serve as a catalyst for better consumer interactions, but it can also help solve some long-standing, key business challenges — **let's dig deeper into those.**



SOURCE: CDP Thought Leadership 2H 2022



Challenge 1 Operational Efficiency

CDPs automatically collect and update customer data, ensuring that the information remains current and accurate. This automation eliminates the need for manual data management, verification, and duplicate checking, saving valuable time and effort. In a recent Forrester survey, 51 percent of respondents reported that their CDP has helped them increase functional effectiveness in their role.

When **combining automation with low code application development**, companies can work fast, iterate often, and include all business stakeholders in the effort. Automation can be pushed out in low code applications via self-service portals and mobile apps. The result: integrated apps with workflows in core systems for end-to-end departmental, cross-departmental, and organization-wide use. IT teams benefit substantially when employees have easy-to-use access to data, they are free to focus on the analytics rather than answering daily data requests.



Challenge 2 Employee Productivity

Empowering employees with self-serve access to customer data is a powerful catalyst for cultural change and innovation. Reports and dashboards can display information relevant to each stakeholder. For example, a shop floor clerk doesn't need the granularity of information that marketing officer would, nor the level of reporting that executives require. Most CDPs are designed to be user-friendly without the need of a data scientist to interpret the data or use the tool. Downstream data users are empowered with the information they need to make decisions more quickly and accurately.

Think of the value on the customer-service side. Reducing time and resources spent on complex cases, can make everyone happier—customers, employees and the bottom line. When a user interacts with a customer service touchpoint, the agent can quickly respond with context to the customer because the CDP has centralized the data, identified the customer, detailed their purchase history and any relevant conversations they've had with your business, and suggested next best steps. Everyone becomes more productive in their role.

Challenge 3

Competitive Edge



All companies are searching for the elusive competitive edge. With diminishing profit margins and accelerating consumer expectations, finding that advantage is something that can only be done with data, and the right kind of data. When companies have a clear understanding of how their competitors approach their customers, it's easier to devise a more effective and differentiated strategy.

Much of the differentiation between companies in the future will be based on the customer experience. With the 360-degree view of customers that a CDP provides, businesses can anticipate customer needs, tailor products and services, and deliver personalized marketing messages. These capabilities can significantly enhance customer satisfaction and loyalty and reduce customer churn, providing a competitive edge in increasingly competitive markets.

Today, the mass of data about consumer behavior allows companies to dive into more granular levels of insight that can unlock new opportunities. Those who invest in CDPs, often achieve up to 10 percent sales growth, up to 5 percent higher return on sales, and a margin uplift of 1 to 2 percent, according to Mckinsey.

Challenge 4

Cost Efficiency



A CDP can be one of the hardest workers in your analytics arsenal, driving significant savings across a range of teams. When businesses have the data to focus their activities, they can spend time on projects and tasks that matter, and eliminate those that contribute to inefficiencies and waste like inaccurate targeting and time-intensive manual data analysis.

Businesses increase profitability when they are targeting the right customers with the right message. When done right, personalization can reduce acquisition costs by as much as 50 percent, lift revenues by 5 to 15 percent, and increase the efficiency of marketing spend by 10 to 30 percent, according to Mckinsey.

Many of the benefits of a CDP are difficult to quantify because they are recognized in loyalty and retention over the lifetime of a customer journey. However, more deeply understanding your consumers and providing rich consumer experiences will no doubt translate positively.

Challenge 5

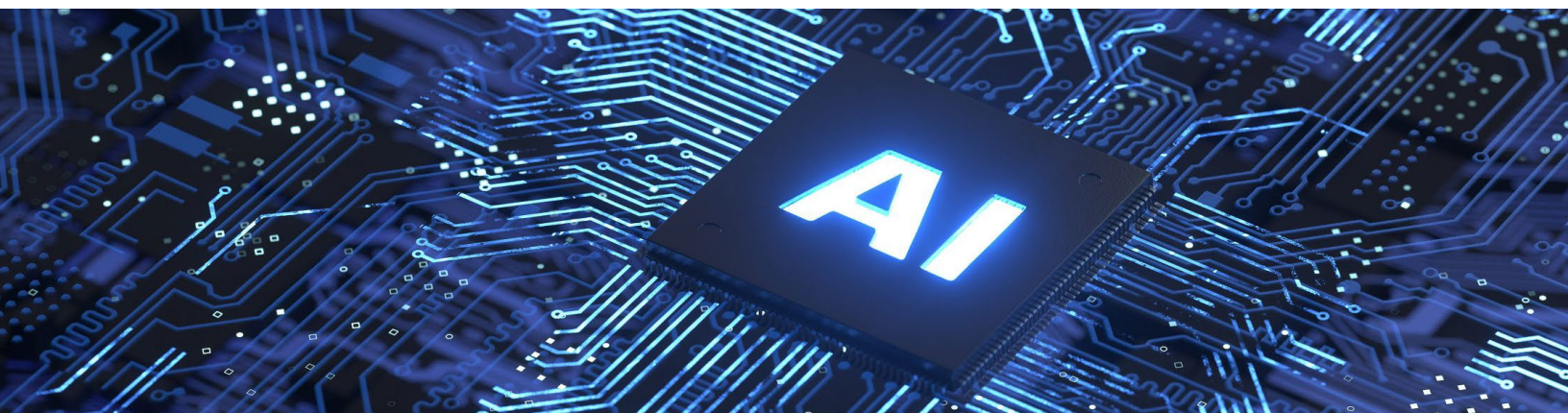
Data Governance and Responsible AI

With always up-to-date data, organizations maintain an edge by gaining a deeper understanding of consumers—if the CDP is built with a privacy-first approach. Growing mistrust over data privacy has driven recent changes in data privacy. A future-proof customer data platform needs to be consent-enabled, allowing the organization to automatically honor consumer permissions and privacy.

To do so, the CDP should allow you to set data standards to make sure that consumers have opted into your data collection. Once visitors have opted in, your CDP also needs to give you the ability to delete data if a user asks you to do so. Suppose some consumers object to their data being stored or only want a portion of their data to be stored. In that case, you must be able to easily identify where that data point is stored, and what's being shared throughout your CDP pipeline.

Furthermore, if you are a global company, you are dealing with different compliance regulations, including GDPR, CCPA, CASL, and others. Each regulation has different requirements for capturing and storing consumer data and how that data can be used. Your CDP must be able to support these differing requirements while also prioritizing robust data security measures. Ensuring data security is essential to prevent unauthorized access and protect sensitive customer information.

Moreover, your CDP should promote responsible AI use by providing accurate and comprehensive data for AI modeling, reducing the risk of bias and errors. Don't underestimate the importance of responsible AI use and robust data governance as part of your data strategy and the data platform you use. Trust and transparency in handling customer data can be a differentiating factor that sets your company apart from its competitors. By prioritizing data governance and security, you can build a solid foundation for ethical and responsible data-driven decision-making, gain the trust of your customers and ensure compliance with regulatory requirements. satisfaction and loyalty and reduce customer churn, providing a competitive edge in increasingly competitive markets.



Powerful Tools in Any Industry

Customer data platforms (CDPs) have proven beneficial in a multitude of industries. While their initial adoption was more prominent in retail and e-commerce, their versatility has led to integration in many other sectors.

The right CDP has the ability to offer flexible data integrations and collect data from any department. With cross-departmental data in a centralized system, any team can find insights that help inform their decisions – whether it's for a marketing strategy, a sales pitch or forecasting demand for inventory.



Hospitality

A Scalable Solution for Customer Segmentation and Targeting

One of the largest casinos and wagering brands in North America wanted to gain insight into its guests' needs and preferences to provide its hosts with increased visibility. The organization's goal was to ensure high customer satisfaction and increase revenue. It sought a solution that would span all areas of its business, including wagering, retail, hospitality, and accommodation. By partnering with Hitachi Solutions, the organization gained a core source of information that supports strategic decision-making and guides how its customers are engaged, segmented, and targeted in person and online. The solution also acts as the backbone for the company's loyalty program, which rewards customers across properties. The solution is robust and scalable, managing and serving tens of thousands of customers and millions of transactions on a weekly basis.



Financial Services

A Unified View of
Volunteer Activity

A socially focused, community-centered financial services organization engaged Hitachi Solutions to develop a CDP to acknowledge and reward its members for volunteering in their respective communities. The CDP is centered on the Microsoft Azure and Microsoft Dynamics 365 platform, allowing the organization to easily find and segment members across many parameters, capture volunteer activity, track member governance, and manage point values tied to community events. The CDP also allows them to unify customer data into a single view from many disparate sources, providing an unprecedented level of insight into the behavior and engagement of their core customer base.



Retail

Modern Data Tools that
Increase Efficiency and
Productivity

Hampered by a homegrown system with manual spreadsheets and disparate data silos, a home improvement sales and servicing company was unable to consolidate data, scale, and deliver on key needs like marketing campaign analysis, competitor analysis, media spend analysis, ad effectiveness, customer segmentation, and financial forecasting. Hitachi Solutions worked with the retailer to implement a solution that allows it to leverage advanced marketing analytics and techniques that deliver the right message, at the right time, to the right customer. Additionally, through real-time reporting, the company has eliminated manual data gathering and report updates throughout the organization, increasing both efficiency and productivity.





Manufacturing

Revenue Opportunities Driven by Data

Hitachi Solutions worked with a global industrial manufacturer to develop a Microsoft-based customer data platform that provides the company with a consolidated marketing-to-sales experience. Team members can perform dealer opportunity management, lead registration, pipeline management, demand forecasting and planning as well as sales order processing. The marketing team can now easily drive leads to their sales team, while Power Portals enables all dealers to directly interact with the system. All customer service is run in Dynamics 365 where the system leverages traditional case management, integrates to the Azure IoT stack, and allows users to review performance.

The company has been able to generate new revenue opportunities by transforming service offerings into differentiated customer experiences. Technicians have been able to accelerate their first-time fix rate with access to real-time data and intelligent recommendations. Overall, the effectiveness of equipment assets has increased due to predictive maintenance recommendations based on real-time activity and usage.

The common thread across these use cases is the focus on consolidating and leveraging customer data from various sources to deliver personalized experiences, improve customer engagement, and drive better business outcomes. CDPs are the perfect catalyst for doing just that.



Infusing a CDP with AI

Modern customer data platforms are made up of tools that connect databases, analytics, and governance that, on their own, meet specific business needs. Together, though, they can evolve core applications to take advantage of advanced analytics and intelligence.

Most default reporting is about what has already happened and not necessarily about what is likely to happen. Traditionally, metrics looked backward to unearth insights about past consumer behavior and measure the effectiveness of campaigns. With the advent of artificial intelligence (AI), real-time data from across the value chain is now being used to better predict future action. And that action can be across the enterprise—from forecasting equipment failure, to anticipating customer needs, or foreseeing catastrophic events. You can do this with AI, but to take full advantage of AI, you need a modern data estate.

When embracing artificial intelligence (AI) technology, it is essential to align its integration with your company's values. Define clear ethical guidelines, prioritize transparency, and ensure accountability in AI practices. Consider the broader societal impact and embrace inclusivity in AI development. Stay updated with responsible AI standards and best practices to build a positive reputation as a company that values customers and societal well-being. By leveraging AI responsibly, you can enhance productivity while upholding your core values, leading to long-term success and a positive impact on your business and the community.



CDPs become 'intelligent' when they have the ability to use advanced technologies such as machine learning, natural language processing, and predictive analytics to drive insights from data and improve decision-making.

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Quality First-Party Data

Data is at the heart of every application, process, and business decision. But the challenge often lies in the quality of all that data. Many companies are swimming in heaps of dirty data, and are shackled from gaining any real ground.

Part of the data preparation process in a CDP platform cleans the data, allowing for accurate, data that generates reliable, trustworthy visualizations, models, and business decisions. If not cleaned, dirty data can lead to incorrect beliefs and assumptions about the insights and decisions derived from it, and stakeholders begin to distrust the analytics process overall.

“Everybody knows they need to get to modern data states. They have data from different solutions that they have to bring together, but the projects are getting bogged down with data cleanliness, unification and ingestion of data,” said Deb Marotta, vice president of retail industry at Hitachi Solutions America. “How do you navigate these pitfalls so you can get your time to value more quickly?”

To be useful, data assets need to be identified, cleansed and connected. And to do that, you need the capabilities of a modern data platform. At that point you’ll have the foundation for advanced analytics and will be poised to take advantage of exciting technologies like AI and machine learning.

Focus on Integrations

Companies commonly use dozens of applications, each containing data that is unique to a department but could be useful to others. We can’t stress enough the importance of being able to integrate these data points and applications.

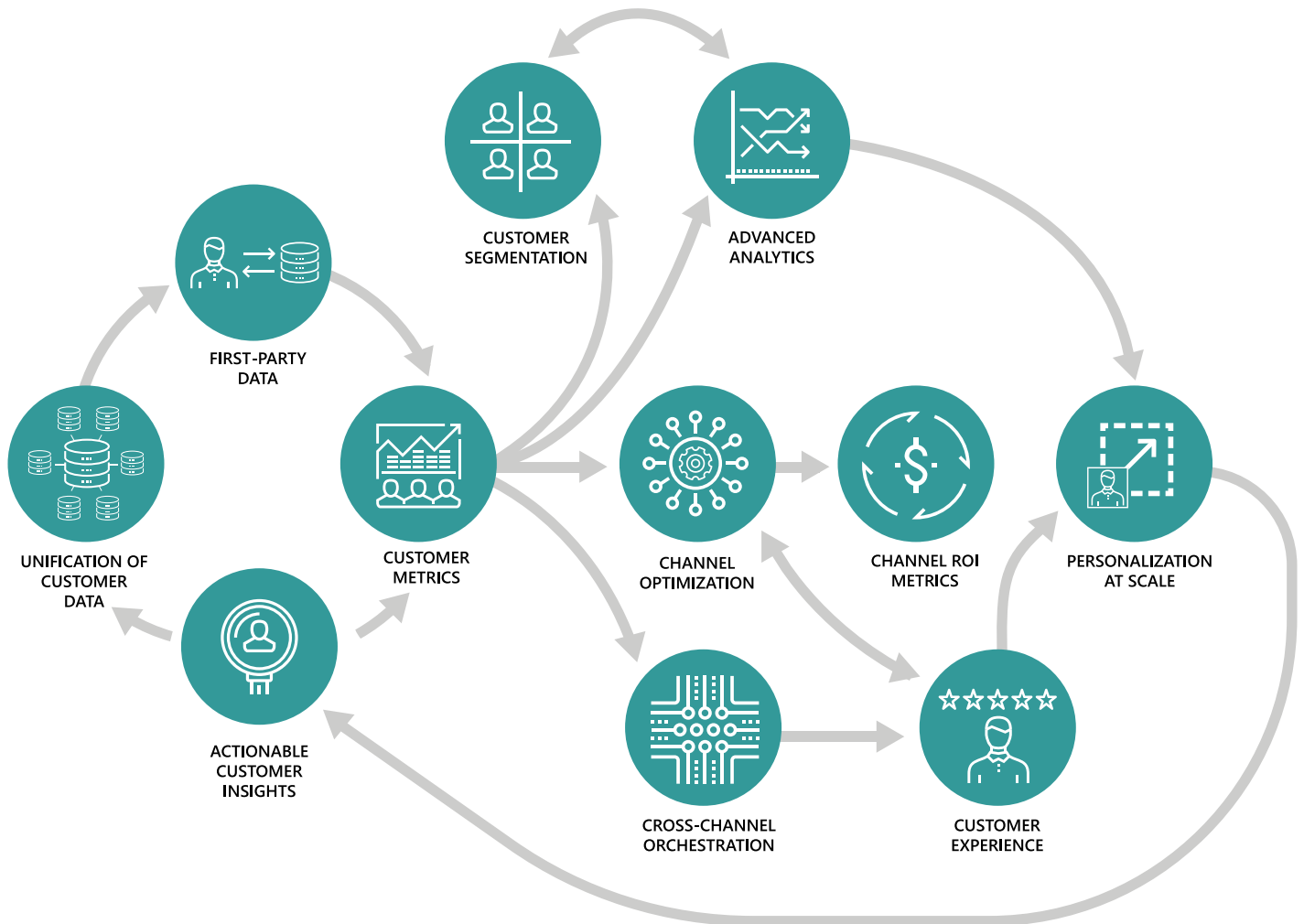
A modern CDP platform will have pre-built connectors allow you to seamlessly ingest data from a myriad of sources and integrate with all channels of consumer interaction — transactions, website, mobile engagement, email, and customer service calls. But not all do. Furthermore, a CDP should have the ability to leverage compute power, scaling effectively to ingest potentially billions of rows of data as your volume of data increases.

When an organization has the right data, the right integrations and well-defined use cases it exhibits an elevated level of data maturity and can engage in data activities that impact the entire value chain. And that value chain can extend far beyond sales and marketing to include IT, customer support, data science, product and supply chain logistics, inventory management and many others.

“Dirty Data is a huge problem. Almost half of sellers (45%) say their biggest data challenge is incomplete data.”

- [LinkedIn 2022 State of Sales report](#)

How CDPs Drive Customer Data Maturity



The final phase of data and analytics transformation comes when data and analytics are fully embedded within the company value-creation machine, and companies have hundreds of use cases in production that deliver results.

Is your Customer Data a Missed Opportunity?



Data is the new gold, oil, you name it. Though that simple phrase may sound cliché, it's also true. The precious information that your organization collects its customers and its activities — particularly first-party data that only your organization owns — is indeed a resource of nearly incalculable value. But, as with any resource, data can only deliver its potential value when properly applied. And that's where many companies fall short.

A [Forrester](#) survey found that while most organizations have substantially increased the

volume of customer data available, only about half are able to utilize the data effectively to personalize customer interactions. More than a third (38%) of survey respondents identified siloed data as a barrier in delivering personalized customer interactions. Similarly, a [Gartner survey](#) found that organizational teams that share data externally with other teams stand to gain a threefold economic benefit compared to those that do not.

Investigate CDPs that can:

- Ingest data from any source, internal or external
- Capture full detail of ingested data
- Store ingested data indefinitely (subject to privacy constraints)
- Create unified profiles of identified individuals
- Share data with any system or authenticated user that needs it
- Respond in real time to new data and to profile requests
- Govern customer data in compliance with local privacy and security regulations

Hitachi Solutions:

An Expert Data Partner

From best-in-class databases and analytics to governance and security, all things data continue to drive digital transformation initiatives across companies large and small. Our broad array of solutions — from unified, modern Azure-based data platforms to turnkey, SaaS-based models that reduce development and capital costs — can help you turn customer-related data into predictive and analytical power.

Our goal at Hitachi Solutions is — and always will be — to meet our customers where they're at. In this instance, that means starting with your existing data environment and helping you evaluate the best near-term approaches for moving forward. With our deep industry expertise across a range of industries, including healthcare, retail, professional services, manufacturing, and financial services, we understand data needs broad and deep and can provide tailored solutions that hit the mark today and set you up for continued success tomorrow and beyond.

Ready to learn more?

Reach out today!



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