TEALIUM®

Unlocking Zero-Party Data:

A Marketer's Roadmap to Enhanced Personalization and Engagement

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What is zero-party data?

"Data that a customer intentionally and proactively shares with a brand, which can include preference center data, purchase intentions, personal context, and how the individual wants the brand to recognize them."

- Forrester

Businesses are struggling to remain relevant due to unprecedented shifts in technology, regulations, and consumer behaviors. This is evident in the decreasing tenure of companies on the S&P 500 and the shortest tenure of Fortune 500 CMOs in over a decade. In the pursuit of demonstrating value, marketing leaders have quickly adopted various digital marketing technologies and platforms. Yet, the essence of delivering a superior customer experience seems to be overlooked. It's not about having the latest platform; it's about keeping the customer at the center of every strategy and decision.

A recent study by Interbrand sheds light on the importance of authentic customer experiences. The top 10 brands collectively hold a value surpassing that of the next 90 brands combined. To effectively compete in this environment requires genuine interactions and the fulfillment of brand promises, achieved through an unwavering dedication to understanding and serving customers.

Adapting to this changing environment requires organizations to transition from merely tracking customer behaviors to actively listening to their intentions and preferences. The key to active listening – using zero-party data. It refers to information that a customer intentionally and proactively shares with a brand, which can include preference data, purchase intentions, personal context, or how the individual wants the brand to recognize them.

This gold mine of data holds immense potential for personalized experiences.

Why This Matters?

Consider the majority of websites you visit. Some offer very little engagement, while others may ask for your email address in exchange for free shipping, a discount, or even points. While the idea of value exchange is appealing and effective... a key consideration to think about is what an organization learns from an email address. It is helpful, but it's only one input that doesn't tell us much about the individual.

However, when an organization leverages zero-party data, there is the ability to learn a lot more about the buyer - immediately - their preferences, and what they need at that moment.

For example, consider an outdoor retail store that knows someone's email is jsmith@gmail.com - what can be discerned from that?

Now, imagine they also know jsmith is Jennifer, she enjoys climbing and is looking for a helmet.

The retailer can be much more specific in what they show Jennifer (directing her to the page with climbing gear). This is better for Jennifer because it's faster and she is directed to the content she wants. It is also positive for the business because she's more likely to make a faster decision - reducing clicks, emails, etc. The journey is more efficient resulting in a richer customer experience and a better business outcome for the retailer.

Learning what the customer intends helps reduce friction and shortens time to conversion – zero-party data is a direct path to that intention.

Why This Matters?

Understanding what customers value (a personalized offer or reward), when they want it (what time of day and how often), and how they want to get it (via text or email or website customer center) is available to the brand. All they have to do is ask.

And it is not just about understanding the customer. Given the issues with data privacy and security, the expectation from data has evolved significantly, so finding a solution that works for brands, customers and regulations is essential.

Zero-party data is an option because:

- **It is accurate and reliable.**
  Zero-party data is collected directly from customers, so it is not subject to the same inaccuracies and biases as third-party data.

- **It helps build customer trust.**
  When customers know that their data is being collected and used in a transparent and ethical way, they are more likely to trust the brand.

- **It can be used to personalize experiences.**
  Zero-party data can be used to create personalized product recommendations, targeted marketing campaigns, and tailored customer service experiences.

- **It helps businesses make better decisions.**
  Zero-party data can be used to inform business decisions, such as product development, marketing strategy, and customer service operations.

Why This Matters?

Zero-party data is usually relevant and personal. It does not have to be sensitive or personally identifiable (PII). It can be used in the moment to provide a more personalized experience, without having to rely on learning any other specifics about the individual - focusing on what and why rather than who.

As the advertising and marketing world shifts away from PII and identity, options like zero-party data provide solutions for targeted engagement. While not a new concept, the role it plays in personalization and providing better experiences is clear.

Zero-party data
Type of 1st party data **intentionally provided** by customers.
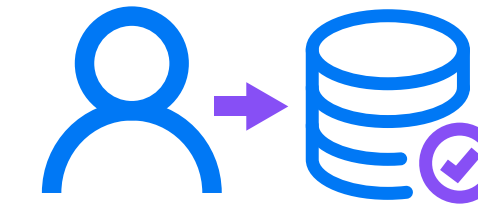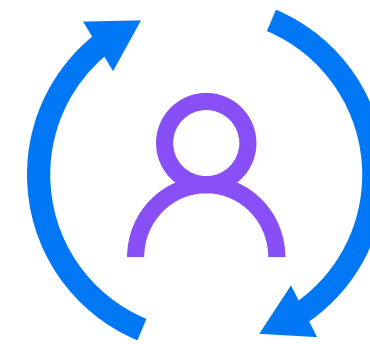
First-party data
Data collected about your customers through your owned channels.

Second-party data
Someone else's first-party data, acquired through **trusted partnership.**
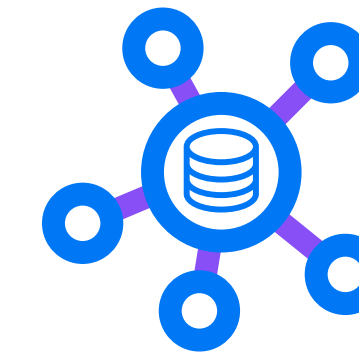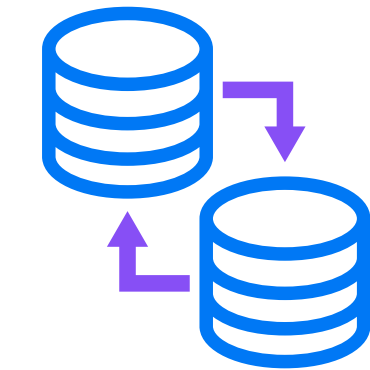
Third-party data
Data acquired from a data aggregator, **purchased** from DSP or marketplace.

How can businesses use zero-party data for improving customer experience?

Zero-party has been part of customer engagement from the start. The first time a business asked a customer to fill out a form, or give them more information they were collecting and using zero-party data. Customer driven businesses have been prioritizing customer understanding and requesting user feedback almost as early as business itself. However, while it has high adoption, zero-party data has lived in a silo. It has been prioritized for longer term understanding and use rather than in-the-moment personalization. And as a result, the technologies, and implementations have taken a long time to come out of the research corner and become a core part of the engagement strategy.

The following list is not an exhaustive list of uses of zero-party data, and is not intended to provide all scenarios or examples. This list aims to highlight simple opportunities to leverage it for improving the customer

experience, ideally in the same session and maybe in the same interaction. As an added bonus, if this information is combined with the visitor profile, and used to enrich our understanding of the customer, it can lead to richer audiences and relevant messaging in other channels.

The goal is to help businesses realize the untapped potential with zero-party data and start thinking of it as a new lever for personalization.

1: Optimization of Customer Journey

Discovery:

On sites with several product categories and complex hierarchies, asking the customer what they are looking for, helps reduce the effort and time required to find the relevant content - improving the customer experience and creating a value exchange - relevant for verticals such as Financial Services, Insurance, Healthcare, B2B, Automotive, eCommerce, and Travel. Asking the right question at the right time, helps to immediately improve the customer experience.

1: Optimization of Customer Journey

Content Targeting:

Sites with a complex content structure – usually offering category and filter-based navigation – can use simple preference based questions to tailor the experience to the customer. Expect this tactic to become more common as the market trends evolve, bringing the added potential of leveraging the preference signals as inputs to personalization.

For example:

- Content streaming services asking for favorite genres, teams, artists, categories to highlight the relevant media, playlists and new releases

- Asking for the details about the pet (species, size, age, dietary needs) enables a pet store to filter and present only relevant products and offers to pet owners

- In-store pickup vs online delivery to show the right inventory on a retailer's site

- Finally asking if the customer is ready to buy in automotive shopping, to show offers and inventory, vs general model information when they are just browsing
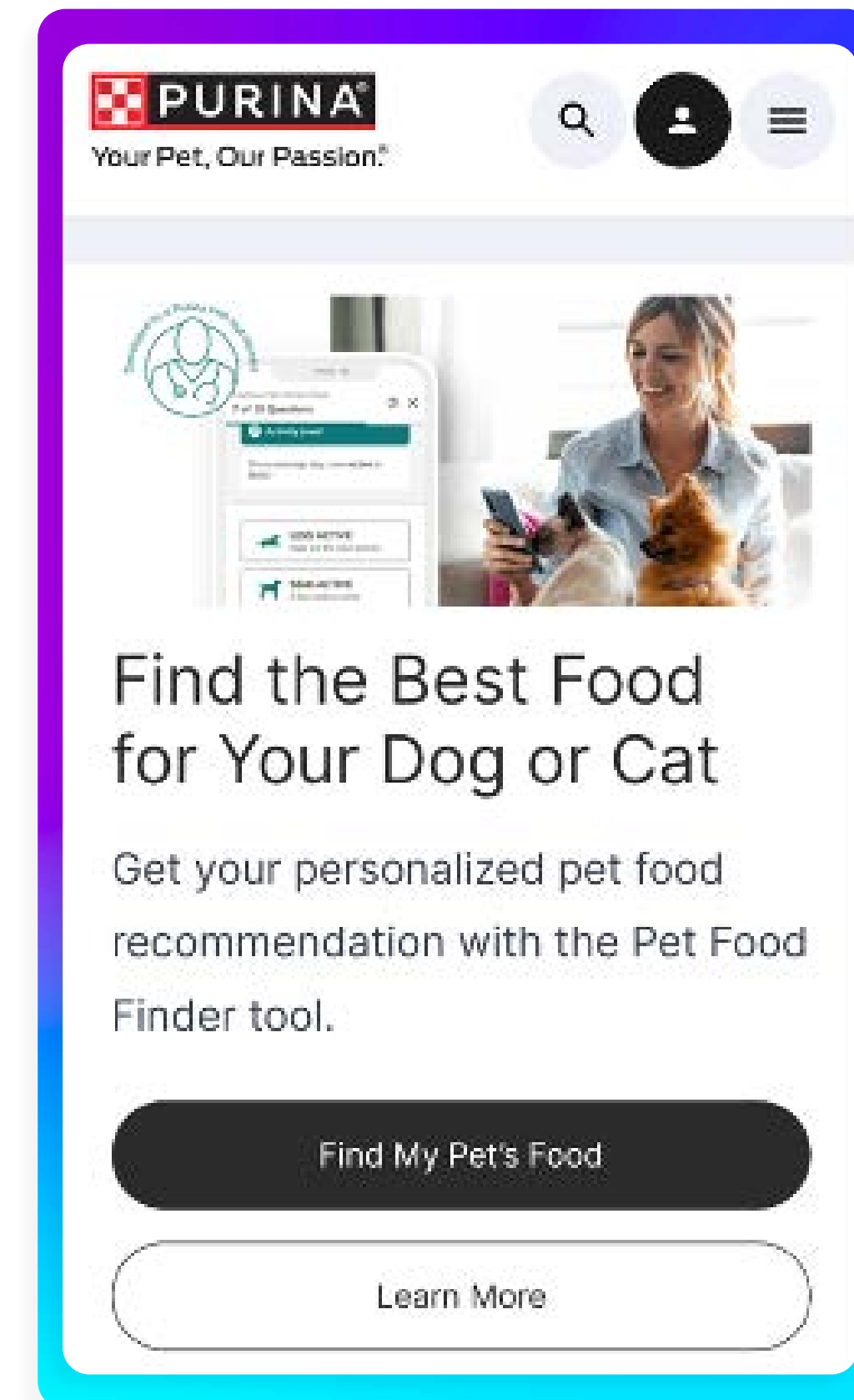
2: Personalization Engines

Product Recommendations:

Asking customers for their preferences, and then providing a personalized shopping experience is a powerful way to leverage zero-party data to drive personalization. eCommerce sites in the cosmetics industry have turned this into an art form with quizzes, analysis, photo comparison and preference centers used to go deep in customer preferences and needs, and then fine-tune product recommendations, offers and messaging from the brand, creating a personalized version of the site for each customer. The customers take time to fine-tune their information so they can get exactly the right color to match their skin. Once they put in the effort, the value is earned with each new recommendation and relevant product introduction.

Similarly in fashion, sites like StichFix have surveys that can take up to 15 mins to complete with an 80% completion rate because of the clear value exchange and immediate benefit to the customer. Taking time to describe the unique size, fit, and style preferences to get the right recommendation of new clothes every month.
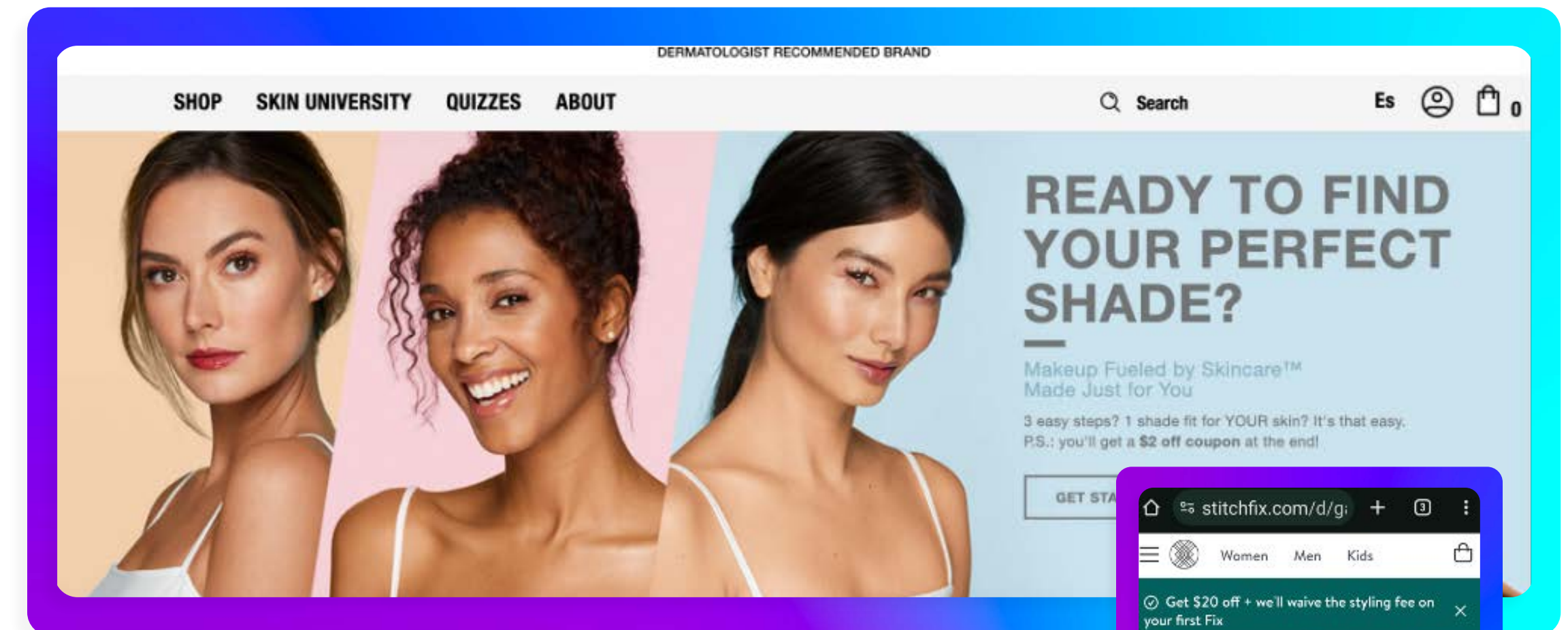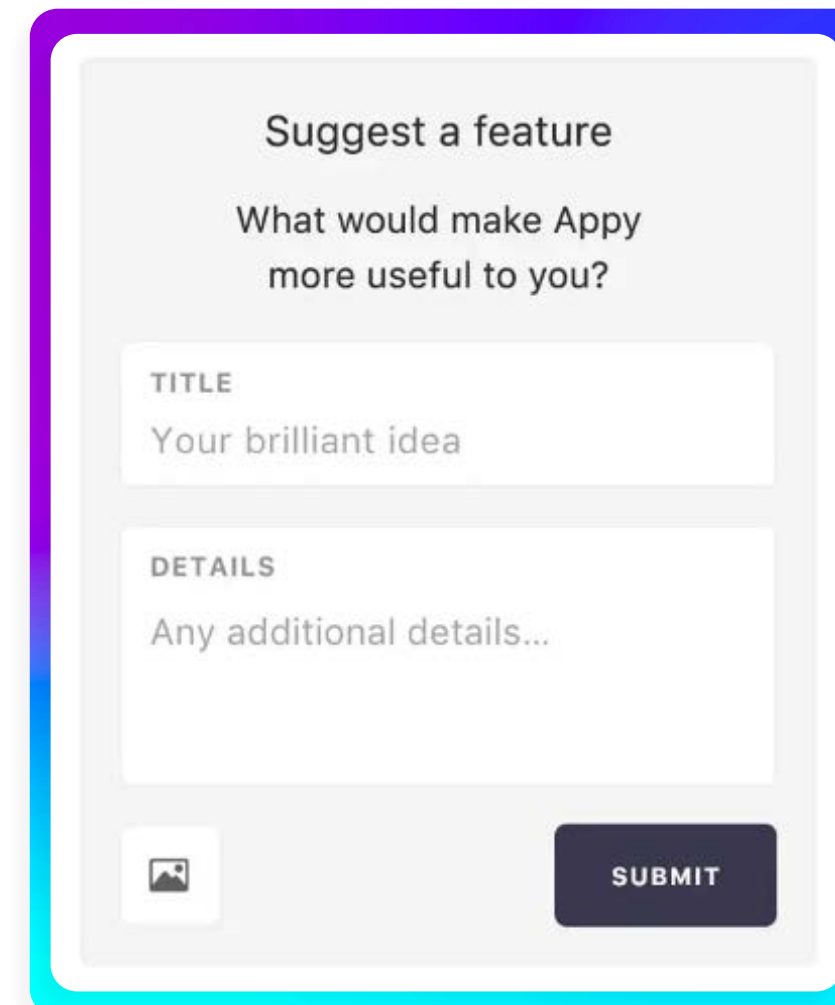

Loyalty Programs:

Once there is a clear understanding of the customer's preferences, these brands use that zero-party data to offer tailored rewards, messaging and engagement via the loyalty program, enhancing trust and brand loyalty. They make zero-party data the foundation of their entire customer relationship.
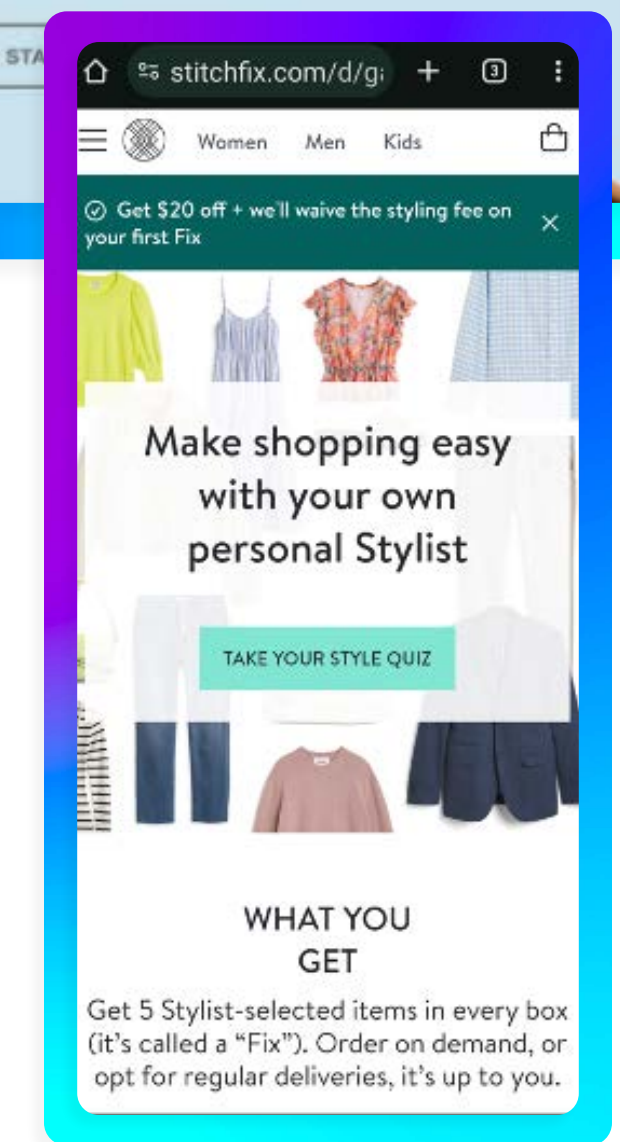
3: Product Development and Innovation

Crowdsourced Product Evolution:

One popular and long-tested way to get customers to take part in the evolution of the overall experience is to invite them to suggest and vote on upcoming product features, services, or offerings. Starting with the first customer forum, the power users felt honored to inform the direction of their beloved brands. From Lego to Dell to Spotify to Google - companies in all verticals have used this as a way to help Customers feel heard and share their overall experience. While this does not have an immediate impact on the experience, it builds deep relationships and trust with the customer base, improving the overall journey.

Flavor, Name, or Feature Voting:

A food or beverage company can learn a customer's flavor preferences when they let customers vote on the next flavor to be released, engaging customers and ensuring the product's market fit - while getting a deeper understanding of their market demand. Doritos made this a national contest using Superbowl as the platform. In addition to high engagement, it gave them a clear idea of what flavors their audience prefers.

4: Preference and Privacy Management
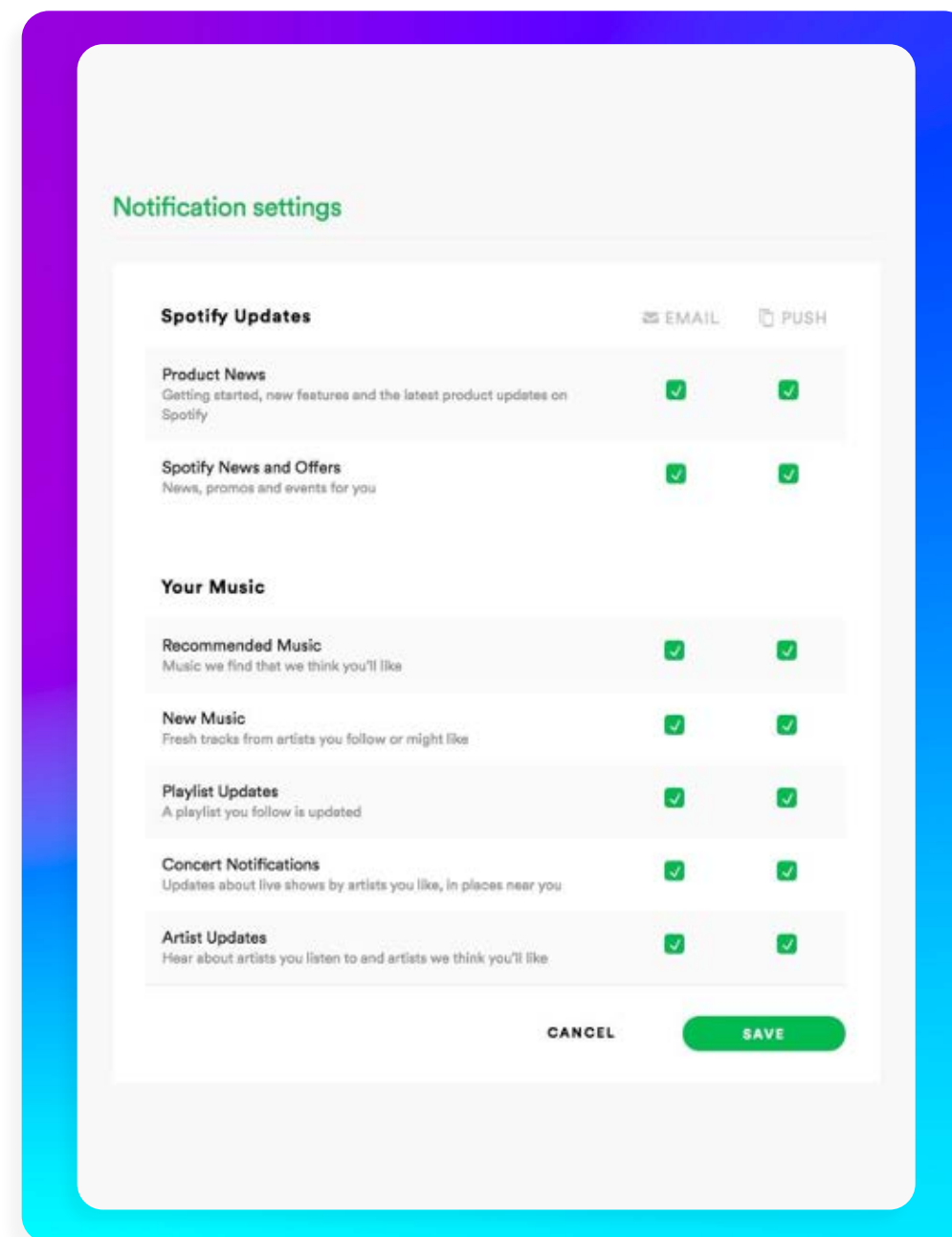

Communication Preferences:

Customers want to choose how often and through what channels they wish to receive communication, manage their preferred topics, and control exactly what information is collected and used. This is an area that is gaining popularity across all industries and verticals, specially where there is a high-volume of outgoing messages from the brand - e.g. banking, media, news or magazine subscriptions, ecommerce stores, pet stores, financial apps, travel partners, rideshare apps, and gaming subscriptions to name a few.

The preferences shared here help build a partnership with the customer, engage them on their terms and give them control over how they want to interact with the brand. All key aspects of a better experience.
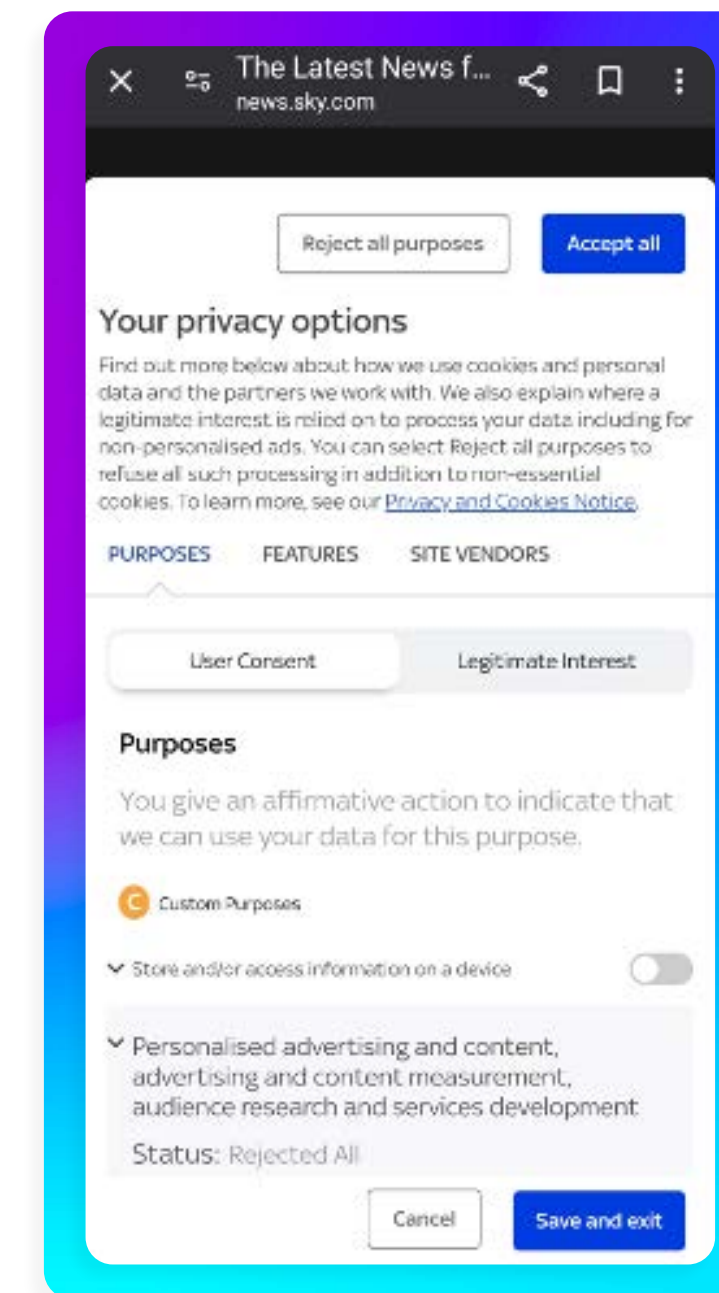
Privacy Preferences:

A growing category is privacy preference management, which enables customers to decide exactly what types of data they are comfortable sharing and under what terms. Manage their consent preferences, permissions and vendor selections, with the ability to review or update them at any point. Having the customer in full control of these preferences, allows the brand to lean in and ensure they are being honored and then engage them accordingly.

5: Data Collection and Research
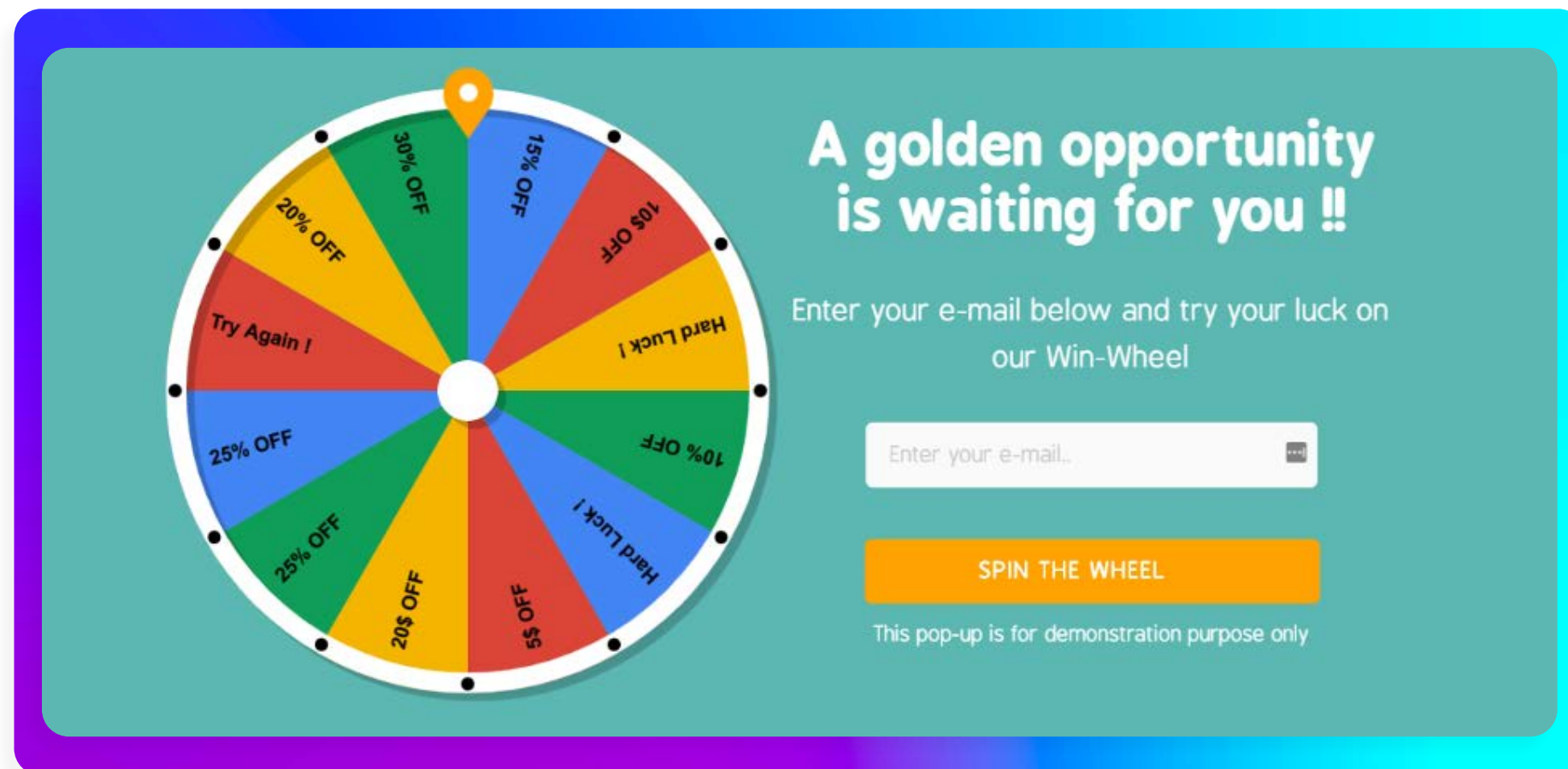
Sign-up for Offer:

Brands asking for the email address in return for an immediate offer is the most used format of zero-party data collection. As soon as third-party cookies started getting blocked, this approach to email list collection exploded in popularity. While it gives immediate value exchange, it does not build a longer-term relationship, and for the end-user, getting hit with a request for email within the first 30 seconds on a new website is a sub-par experience. However, this tactic will not be going away any time soon. This tactic is evolving with spinning wheels, games, quizzes, and other ways to get customers to engage.

B2B Lead Generation:

In the B2B industry, progressive data capture and lead generation using data collected in exchange for content (value) has been the primary tactic from the start. These are essentially zero-party data tactics and they are such a core part of the interaction (like meeting at a networking event), that it is the expected behavior. As the B2C world starts to embrace this mindset for relationship building, learning from the B2B strategies will be a great place to start.

5: Data Collection and Research
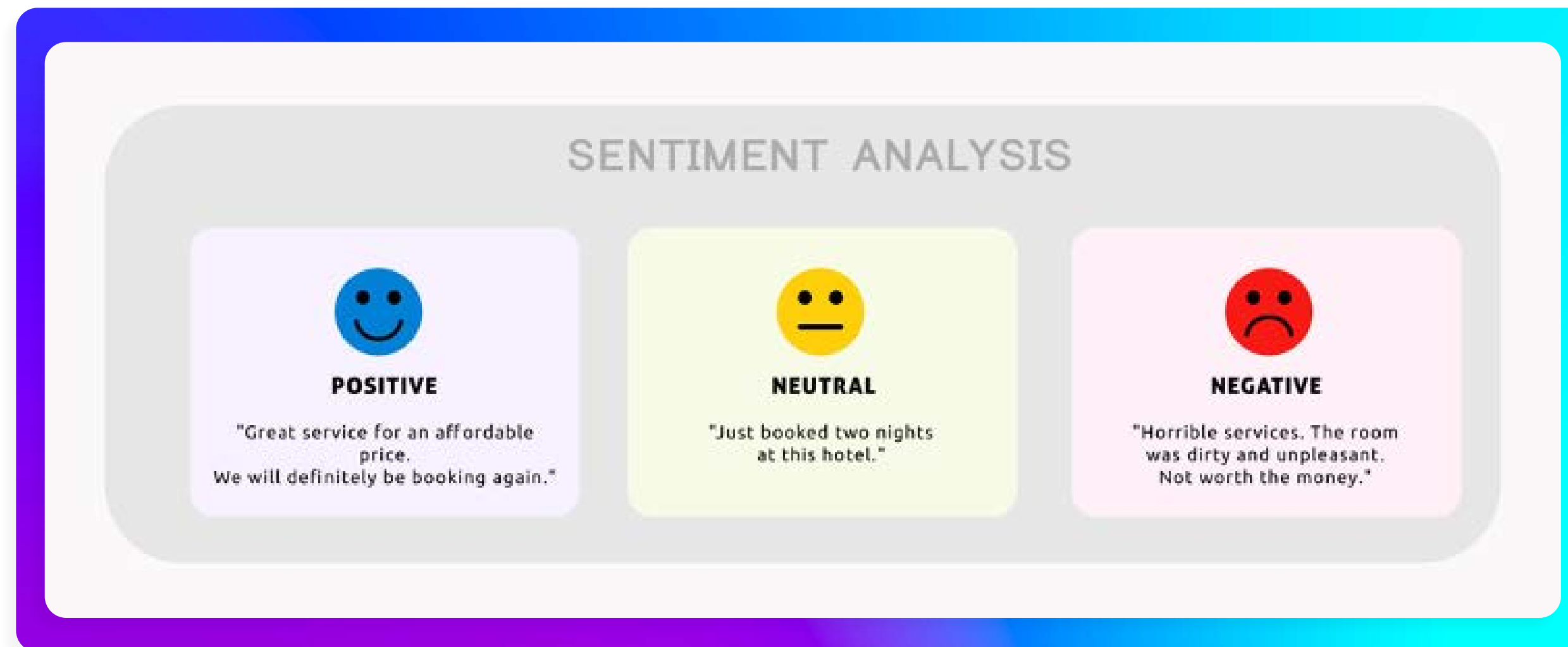
User Research Surveys:

This is the original, longest lasting and core use of zero-party data. User research conducted via zero-party data tools like surveys and quizzes. Used for everything from sentiment analysis, to long-form user research. The value in this data is immense which is why there are so many options for these types of interactions. They provide a lot of deep understanding about the customers, and their use in immediate targeting and personalization is slowly getting noticed.

Using zero-party data for improving customer experience

If zero-party data signifies customer trust, it's up to brands not to squander it. And if all that <u>data is currency</u>, the brand must offer something valuable in return. Effectively gathering and utilizing zero-party data for more than just research, requires a shift in mindset. Rather than employing intrusive tracking methods, brands should focus on building trust through genuine interactions. By dynamically capturing customer preferences as they engage with the brand, organizations can create tailored experiences that resonate with individual needs and desires. Make them feel heard and understood, rather than tracked and followed.

In mature organizations who have made this a core part of the relationship, use of zero-party data to inform customer service operations, marketing and product strategy, and finally the overall customer journey is a key to their differentiation. Brands that are highly respected by their loyal customers are usually appreciated for listening to their customers and the secret sauce is zero-party data.

Technology such as <u>Tealium Moments</u>, can facilitate the processing of zero-party data, enabling brands to glean actionable insights and deliver personalized experiences seamlessly.

Key Challenges

The failure to leverage zero-party data typically stems from four overarching challenges:

1. **Lack of Strategy:**
Brands must establish clear business goals and collaborate on strategies for achieving them. Whether aiming for revenue growth or enhanced customer acquisition, concrete metrics and tactics are essential. Aligning these goals with the overall customer experience strategy significantly increases the likelihood of success. Zero-party data, like so many other tools, is powerful if used with intention, and limited to a specific purpose when used out of habit.

2. **Departmental Alignment:**
Siloed departments such as IT, marketing, and sales often hinder cohesive customer experiences, because the data is siloed as well. Collaboration is crucial to avoid inundating customers with repetitive emails and to ensure that digital marketing solutions are accessible across all units. By aligning with the overarching marketing strategy, departments can deliver a seamless and superior customer experience.

3. **Leadership Deficiency:**
Without firm leadership commitment, even the most robust strategy remains ineffective. Leaders must foster institutional alignment and consensus on the importance of customer-centric strategies. Clear communication and, if necessary, staffing adjustments are essential to instill this commitment across the organization.

4. **Under-utilization:**
Despite possessing ample zero-party data, many brands fail to leverage it effectively. This parallels a broader trend where companies only analyze approximately 40% of the data they collect. As seen above, brands are already collecting zero-party data in many ways, but it tends to be used for limited purposes. Instead of acquiring more technology, brands need to focus on training their personnel to maximize existing resources. This requires leadership direction and an operational model conducive to sustained implementation. Without proper utilization, new digital tools offer little improvement over basic spreadsheet software.

In essence, bridging the gap between micro-level data utilization and macro-level strategy alignment is imperative for optimizing the digital customer experience. In the words of Dr. Prabhjot Singh, "We spend a lot of time designing walkways and bridges but not enough time to think about the people who are crossing them." Ultimately, amidst the ever-evolving landscape of digital marketing innovations, the human element remains paramount. Forward-thinking brands prioritize understanding their customers on a human level, recognizing that true success lies in genuine connections, not just technological advancements.

Zero-party data is not a magic bullet. It is not the answer to all issues regarding data collection and personalization. But if used with intention, it can provide a faster way to get a better understanding of the customer and provide a better experience in-the-moment. The strategy, tools and implementation follow from that intention, and then, zero-party data can feel magical.

This is where Tealium can help. Tealium provides tools to collect zero-party data (Tealium Moments iQ), as well as make it available to your customer profile (Tealium AudienceStream CDP), and any marketing tool that you need to act on that data. If the business is already using a survey or CMS tool to collect zero-party data, Tealium can easily integrate that tool and data to the rest of the marketing tech stack (Tealium EventStream), unlocking that data for immediate activation and personalization.

If you would like to learn more, check out the following resources:

1. **Webinar -** Using zero-party data for a competitive advantage

2. **Blog post -** What's the difference between zero, first, second and third party data

3. **Product overview -** tealium.com/products/tealium-moments

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TEALIUM®

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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