Building the First and Zero Party Future:
Thriving in a Privacy Centric World

Building the First- and Zero-Party Future

Introduction: The Customer Data Crisis

The modern era of privacy protection can be dated from May 28, 2018, the enforcement date of the European Union's General Data Protection Regulation. Snowballing changes since then include the Apple Safari blocking third party cookies (March 2020), the California Consumer Privacy Act (October 2020), Apple App Tracking Transparency (April 2021), and Google Chrome's long-planned deprecation of third party cookies (set for 2023 as of this writing). Each has a slightly different impact, but the trend is clear: access to consumer data will decline as consumers gain control over what they share.

In the anything-goes period before GDPR, marketers got used to having readily available data on consumer interests and activities, enabling ever-more-precise ad targeting and response measurement. In particular, they came to heavily rely on information collected and shared by other companies – "third party data" – which gave them detailed information about consumers who were not already their customers. New privacy rules threaten to severely restrict the supply of this data and impose new constraints on its usage.

The industry's response to these changes has included a mix of resistance and resignation. Resistance has included attempts to temper new regulations, so more data remains available. Other mitigations include developing alternative third-party data sources and identity tracking techniques that comply with the new rules. However, it is increasingly evident that meaningful restrictions on third-party data will persist and continue to increase. Marketers resigned to this truth have shifted their attention to approaches that don't rely on third-party data as their foundation.

Adapting to a Privacy-First World

Some approaches, such as targeting ads based on editorial context rather than individual viewers, abandon data-driven marketing altogether. But the primary response has been to make better use of the data that companies collect directly from consumers. This data enables the same – or even higher – levels of precision marketing without violating privacy rules or customer expectations.

This company-collected data falls into two categories:

- **"First-party data" is information collected about consumers during the course of business.** Some is provided directly, such as a shipping address needed to deliver a purchase or personal information required to open a bank account. But most first-party data is captured by observing customer behavior, such as logging products viewed on an e-commerce site or videos streamed on a TV. Although consumers must usually consent to this data being captured and associated with their identity, they don't enter it intentionally and often don't realize it is collected.

- **"Zero-party data" is information that consumers intentionally provide by responding to a survey, making a request, or answering a quiz.** This information is often more directly related than other data to things marketers are most eager to know, such as which products a customer is interested in buying or how they feel about a recent experience. Because customers provide this information intentionally, they are less likely to be surprised or concerned when used in company communications – avoiding the much-dreaded "creepiness" that accompanies the use of data that customers didn't realize a company had collected.

Collecting the Right Data

Company-collected data offers real value, but it's not enough for companies to simply collect everything they can. Instead, they need to strategically plan what they collect, how they collect it, how they'll maintain it, and how they'll use it. Like any strategy, this process begins by defining the goals. Where customer data is concerned, key objectives include:

- **Business insights.** Customer data provides critical information about what customers want, how they behave, and what they buy. These insights guide every part of the business, from product development through marketing and sales to service and support. Collecting data that can help answer these core questions should be a high priority. Both first-party data, reporting on actual behaviors, and zero-party data, collecting customer opinions and preferences, are important.

- **Audience analysis.** Customer data provides the raw materials to identify segments within the customer base and then analyze each segment's behaviors. Marketers will be especially interested in tracking promotion results by segment, which helps them refine targeting, campaign designs, and offer selection. Other company departments will focus on other behaviors, such as effective sales tactics and support requirements. Because understanding outcomes is important, it's critical to tie together first-party data captured across marketing, sales, purchase, and support systems.

- **Program execution.** Customer data is essential to executing programs, providing inputs for personalization, segment assignments, campaign management, journey orchestration, and message delivery. The data to support these requirements must be available for most customers, continuously updated to ensure it is current and accurate, and stored in formats that other systems can use effectively. Coverage is especially critical for execution: companies should ensure that any data they plan to use in a particular program is known for enough customers to run the program at a reasonable scale.

Meeting Customer Expectations

The paradox of personalization is widely recognized: customers are reluctant to share their personal data but expect the personalized treatment. Resolving this paradox requires convincing consumers to share their data by building trust that the company will use it wisely. Trust depends on:

- **Confidence the data is used for the customers' benefit only.** This trust requires defining policies regarding data collection, retention, and use. Compliance with regulations such as GDPR and CCPA/CPRA is the starting point, but companies can – and should – adopt policies that go beyond the legal minimum. Companies need to publicize their policies so consumers gain confidence that they are well treated. Marketers are customer communication experts, so they play a critical role in ensuring that company policies are promoted effectively.

- **Confidence that adequate security is in place to avoid unauthorized use.** Companies must acknowledge that they are stewards of their customers' data and show they have taken sufficient measures to protect it. This transparency is critical in an era when data breaches are in the news almost daily. No company can guarantee it won't be the victim of a breach, but it can take steps to minimize the likelihood and impact of a breach and should share these with customers (without revealing secrets that would help an attacker).

- **Receiving value in return for the data.** Even customers who feel their data is safe with your company will still need a reason to share it. The most popular reasons are financial benefits such as discounts, coupons, and free shipping. But customers also crave conveniences, such as streamlined returns and priority support. When building an appealing customer experience, companies need to respect customer sensitivities by avoiding personalization that highlights data the customer may consider sensitive or didn't knowingly provide, or by seeming to push the customer into actions she might not intend.

Use Cases for First-Party Data

The best way to understand the value of data is to explore specific use cases. Common applications for first-party data include:

- **Purchase recommendations.** Past purchases are a powerful predictor of future purchases, offering insight into customer needs and preferences. Recommendations can be improved by considering customer location and purchases of other customers with a similar history. Example: offer raincoats to customers in cities where rain is in the forecast, excluding customers who have recently bought a raincoat and choosing items popular with other customers that have a similar style and price histories.

- **Data-based services.** Customer data can be the basis of services that build loyalty even if they don't generate immediate revenue. Examples: a credit card company provides year-end summaries of purchases by product category, helping customers prepare their taxes; a sporting goods company provides fishing equipment buyers with information about fishing seasons, licenses, regulations, and conditions in their local area.

- **Anticipating needs.** Customer purchases often indicate future needs, such as clothing a growing child, furnishing a new home, or servicing an automobile. Data about the behavior of similar past customers provides a guide to making well-timed offers of products and services. Example: a marine equipment company offers boat owners an annual kit with parts that need replacing at the start of each boating season.

Use Cases for Zero-Party Data

Zero-party data goes beyond observed behaviors to capture reported behaviors and customer intentions. This behavior often provides more accurate information about individual customer needs than inferences made from purchases, which are largely based on average group behaviors. Common applications include:

- **Purchase assistance.** Customers exploring a significant purchase can be asked a few questions about their intended use and preferences, and receive information that helps them make the right choice. Everybody wins: the customer gets good advice, while the company builds loyalty, collects valuable information, and has a greater chance to make the sale. Example: an online electronics store offers a chatbot to help customers pick the right camera.
- **Replenishment.** Customers using a consumable product can report their usage levels, so the company knows when they are due for a replacement. The data may be entered manually by the customer or reported automatically by the product itself. In either case, you need the customer's consent for legal and relationship reasons. No one wants to feel spied on, and the "creepiness" factor of monitoring product use is high. The value to the customer may be the automated replenishment itself, which saves effort and reduces the risk of running out of supplies, or it may be a related service such as tracking progress towards a goal or sending alerts when usage-related maintenance is due. Examples: a shoe company offers an app for runners to track their marathon training, which lets the company know when to offer replacement shoes; a telephone company tracks mobile usage, which lets it send an alert and offer an upgrade when a customer is near her contract limit.
- **New or changing needs.** Recommendations based on purchase history can fail when a customer has new or changing requirements. This is when getting the customer to express her needs directly is most beneficial. Customer actions, such as searches or help requests, can be supplemented by company-initiated actions such as a making pop-up chat offer when a customer researches a category she has not purchased before. Limiting offers to situations where a customer has already indicated they intend to do something new lets the company spend limited support resources on high-potential cases and avoid annoying customers with constant support offers. Example: when a customer makes a hotel reservation in a location where she has never stayed before, the companycan offer information about local attractions and the hotel's on-premises services.

What Next?

First-party and zero-party data can play a valuable role in a privacy-focused world. To take full advantage of this value, you'll need to:

- **Identify the programs you might run with such data.** These programs include marketing, sales, service, and operational programs. Consider not just what's theoretically possible but what is likely to yield the most business value and, equally important, what your organization is willing and capable of executing.
- **Assess what data you need to run those programs.** Be specific about the types of information, where it would come from, and when in the purchase process it must be available.
- **Identify which of the required data you currently collect and which you can add.** Be realistic about the changes you can make in existing systems, both in collecting new data through those systems and extracting data from systems that might not have been built with extraction in mind.
- **Define the resources you need to make the data useful.** These will likely include tools to extract the data from source systems, check for quality and consistency, link information from different systems that relates to the same customer, calculate aggregates and model scores, and format the data for real-time access by other systems.
- **Identify which of the required resources are available and which need to be acquired.** This gap is often where a Customer Data Platform enters the picture. CDPs collect, unify, and share all kinds of customer data.
- **Acquire the missing resources, integrate them with existing systems, and train staff to use them.** Start by acquiring all resources needed for your initial programs, and then add resources for subsequent programs over time. This incremental expansion is essential to keep change manageable and to deliver initial results as quickly as possible.
- **Deploy initial programs, assess their results, adjust, and add new programs as appropriate.** Organizational support is essential for success, so all programs should be run by enthusiastic departments. This will often mean one or a few departments run initial programs. Successful results from these programs should encourage other departments to join in.

Conclusion

The rules governing consumer data are changing and will continue to change. Marketers can do little about restrictions on third-party data, but they do control first-party and zero-party data. These sources offer new opportunities to do business in ways that can compensate for losses elsewhere.

The key to success with first- and zero-party data is convincing consumers to share it with you. This trust requires showing you are respecting consumers' control over their data, are protecting their data from being stolen and, above all, are returning value for any data they give you.

About Simon Data

Simon Data is the enterprise 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 develop and deliver incredible personalization without needing to build and maintain massive, bespoke data infrastructure. For more information, visit www.simondata.com.

Contact:

Simon Data

199 Water Street, 32nd Floor

New York, NY 10038

www.simondata.com

hello@simondata.com

About the CDP Institute

The Customer Data Platform Institute educates marketers and marketing technologists about customer data management. The mission of the Institute is to provide vendor-neutral information about issues, methods, and technologies for creating unified, persistent customer databases. Activities include publishing of educational materials, news about industry developments, best practice guides and benchmarks, directories of industry vendors, and consulting on related issues.

The Institute is managed by Raab Associates, a consultancy specializing in marketing technology and analysis. Raab Associates identified the Customer Data Platform category in 2013. Funding is provided by a consortium of CDP vendors.

Contact:

Customer Data Platform Institute

231 2nd Avenue

Milford, CT 06460

www.cdpinstitute.org

info@cdpinstitute.org

Request a demo today!

Learn more about Simon Data – give us a shout at hello@simondata.com

simondata.com/demo