

WHITEPAPER

Building a data strategy that engages the consumer and drives revenue

Epsilon



Introduction

The tides of marketing are changing. Brands are working against many factors that make reaching their customers exponentially harder: Disjointed channels, the loss of third-party cookies, reduced media budgets and rising walled gardens.

Consumer data has emerged as a titan against these headwinds. [According to new Epsilon research](#), 60% of brands surveyed said they are looking to first-party data strategies to combat third-party identifier deprecation.

But it is not a silver bullet.

Brands need a comprehensive, thoughtful data strategy that goes beyond merely collecting data. To understand their best and next best customers, marketers need a holistic understanding of who each person is, not just how they engage with you. A complete data strategy, powered by the right technology, uses first-party data, enhanced by zero-, second- and third-party data to drive better customer experiences and higher performing campaigns. And it's profitable:

- According to McKinsey, getting **omnichannel personalization right can increase revenue by 5% to 15%** across a brand's customer base.
- According to a Gartner survey, if customers receive

value during a service interaction, there is an 82% probability of repurchase or renewal when presented the chance to switch, and an 86% probability of increasing wallet share.

- Epsilon data shows that clients who leaned into data strategies saw 2X higher ROAS and 2X lower CPA.
- On average, we add 50% more reachable customers with actionable data to our clients through identity resolution.

It's profitable from an internal perspective, too. A strong data strategy uses media budgets more effectively and reduces media waste because it can accurately identify and reach current customers, understand and predict future customers and create better orchestration of paid and owned messaging and analysis of those customers. This brings incredible value to your shoppers and your brand. And for some industries, like retail, the brands they offer, too.

To drive those deeper connections, brands need to lean in to their data strategies, assess their current strengths and weaknesses, and deploy marketing and advertising tech that fits their needs.

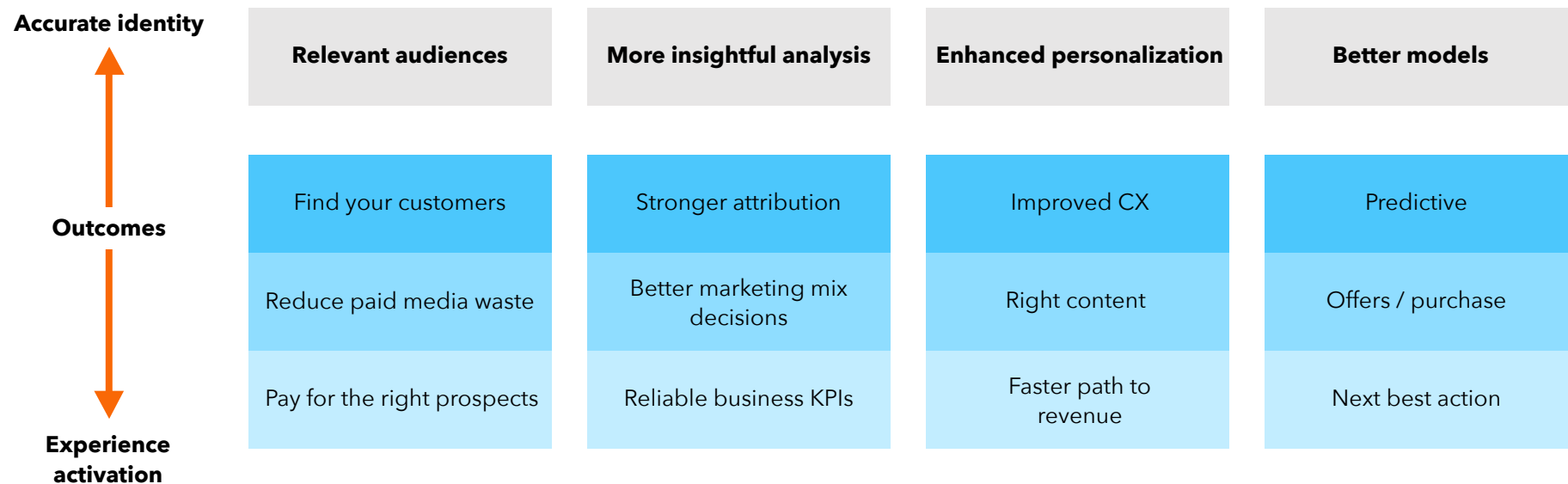
Digital transformation starts with data and identity

When data is used effectively, brands open the door to more cohesive, connected digital marketing across channels.

Customer data enhanced with identity resolution can take disparate data points and unify them into one holistic view and use various data points to build more complex customer profiles. From there, brands link the customer journey, develop more targeted campaigns to real, in-market customers (regardless of channel or device), and create a closed-loop system of measurement that uses machine learning and AI to continually improve.

Beyond that, it also drives better performance of marketing KPIs.

- **Loyalty engagement:** Personalized marketing strengthens brand affinity and customer loyalty.
- **Marketing ROI & media effectiveness:** More relevant messaging to more defined (and in-market) audiences reduces media waste and increases conversion.
- **Audience scale & reach:** Smarter—and more accurate—targeting creates higher lift and higher ROI for media dollars.
- **Data-driven marketing:** Closed-loop and person-based measurement enables more data-driven decisions and utilization.



Defining data

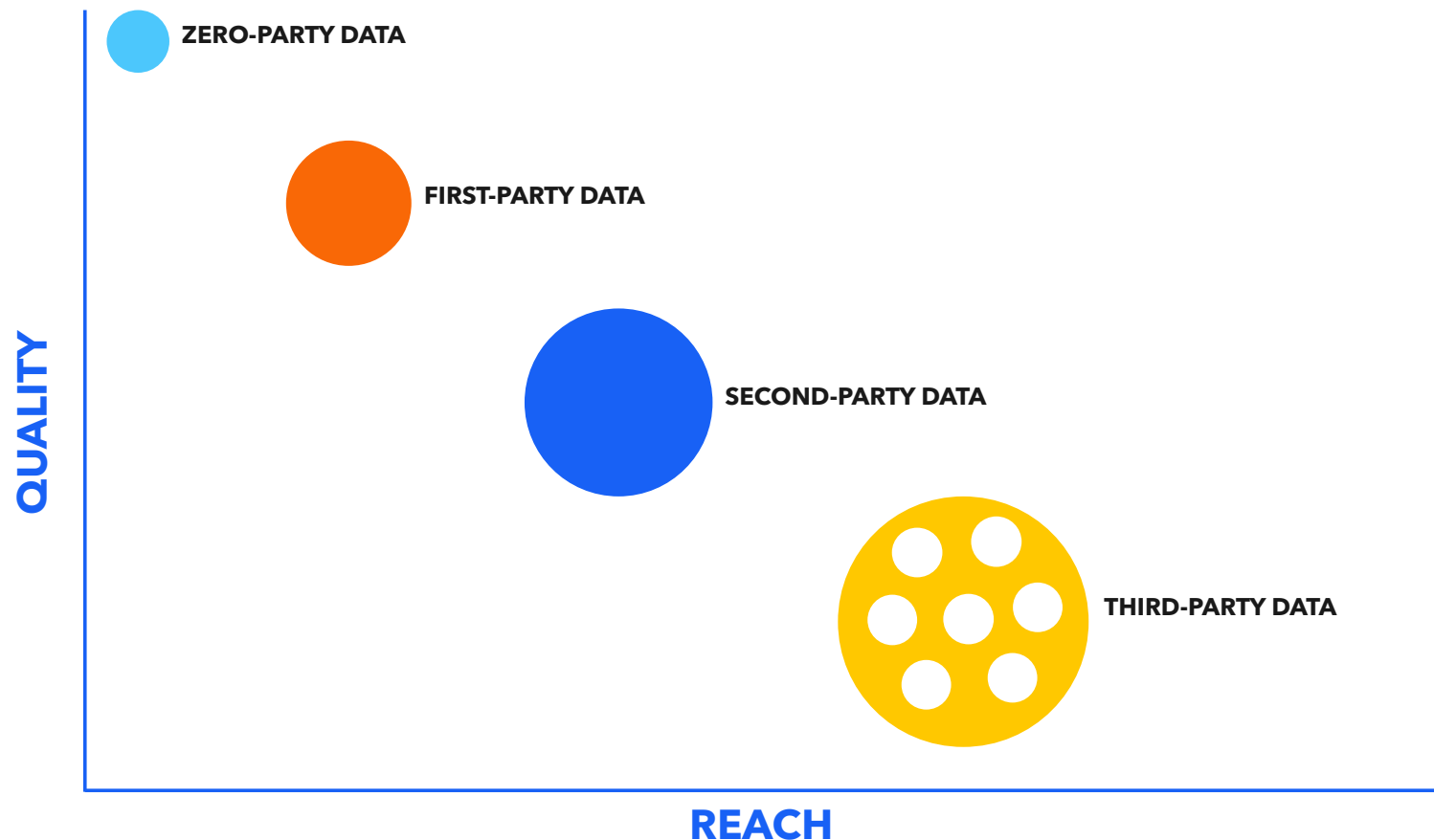
A fully realized data strategy that drives stronger performance and increases revenue needs to draw from all types of data. This is because data gives you an empirical understanding of your customers, and the ability to tie data points together creates a harmonized picture of each person.

These varying types are their own pieces of a puzzle, and when used in unison, they reveal a fuller understanding of a customer. When discussing consumer data, there are **four main buckets**:

Zero-party data	First-party data	Second-party data	Third-party data
Data voluntarily shared by the consumer: 1. Preferences (order by daypart, active channels, etc.) 2. Social signal data 3. subscriptions • Deepens understanding of consumer preferences • Fuels dynamic personalization • Enables stronger matching across other data points (like transactional data)	Data collected directly from customers through owned channels: 1. Owned website(s) 2. Mobile app data 3. SMS 4. Transactional data • Enhances personalization via tailored offerings and channel preferences • Future-proofs marketing strategy • Bolsters cross-sell and upsell	First-party data collected from other organizations • Increases breadth and depth of data • Increases audiences • Creates partner opportunities (retail media, etc.) • Measures performance for industries removed from customers (e.g., food delivery apps like GrubHub or Uber Eats)	Purchased data from a third-party source that includes online and offline data: 1. Demographic data 2. Competitive data • Enriches existing data by filling in gaps • Identifies prospects with modeling and advanced analytics • Increases efficacy of targeting • Reduces media waste and result inflation

Types of data

These types of data fall on a spectrum of accessibility, size and reach. Zero- and first-party data are of a higher quality than second- and third-party data because they are collected directly from the consumer. Second- and third-party data have much greater reach because there's typically more of it, but often at the cost of the quality of the data.



Data categorization

Like everything in our world, data has a taxonomy. If we start with data as a type (zero-, first-, second- and third-), we then go to data as a category. **Data categories are what the data point is describing beyond its type.** Each individual data point will have both. Understanding the intersection of these allows brands to identify what kinds of data they have, need and want, and which tools are going to be most effective to acquire and use them.

- **Transactional:** Data directly from credit and debit card transactions, loyalty cards and apps, receipt scanning services
- **Demographic:** This is objective data, like age, ethnicity, income, marital status, etc.
- **Psychographic:** This is subjective data, or data points that relate to their values, interests and attitudes
- **Behavioral:** This is data that is passively tracked based upon devices used, such as online browsing, searches and location.

	Data category	How it's acquired	Baseline tech needs
0PD	Demographic, Psychographic	Email, loyalty programs, surveys, quizzes, preference centers, games	Loyalty & CRM solutions, CDP, site tags/recognition, onsite data capture
1PD	Transactional, Demographic, Psychographic, Behavioral	Credit/debit card transactions, email, loyalty programs, in-app data, subscriptions	Loyalty solutions, site tags/recognition, CRM, CDP
2PD	Transactional, Demographic, Psychographic, Behavioral	Purchase agreements, established partnerships	Data clean room
3PD	Transactional, Demographic, Psychographic, Behavioral	Publicly available data, purchase agreements, surveys	Identity resolution solution

Finding the right data mix

No one type of data is going to fuel a fully realized marketing strategy.

In fact, we know the effects of relying too much on a single source of data. For nearly a decade, tech companies have deprecated third-party cookies—once the holy grail of digital marketing. Safari and Firefox removed them from their browsers in the late 2010s, and companies like Apple have adopted policies that deprecate third-party identifiers.

The cost? Looking at Apple users is a great example:

- There are 2.2 billion active Apple devices worldwide as of March 2024.
- There's an estimated 150 million iPhone users in the US, and 90% of GenZ Americans have iPhones.
- **Which means:** If a marketing team can't reach Apple users (spoiler: most can't reach them today), they're missing out on a huge portion of the population.

But it's not just Apple devices; the learning is that **drawing from one source (like third-party cookies) creates fragmented and incomplete pictures of both current and prospective customers**. Even powerful first-party data is limited on its own.

DEFINING DATA

What should your mix be? There is no magic percentage. What's accessible and usable to you widely depends on your industry, the tools at your disposal and the data points that affect your desired outcome. **For example:**

	Big-box retailer	CPG at-home coffee brand	International airline	Insurance company	OTC pharma brand
Goal	Retain current members and reach prospective members	Increase market share by reaching new audiences	Re-engage passengers after a travel drop-off	Engage qualified leads actively looking to buy a home	Build awareness through Connected TV campaigns
Tools	CDP, DSP, loyalty program, retail media network	Clean room, DSP	CDP, DSP, messaging platform	Clean room, DSP	CDP, DSP
Data	Total sales (1PD transactional) Competitive sales (3PD demographic) Browsing data (3PD demographic)	Retail partner sales (2PD) Owned digital download (1PD demographic) Third-party consumer attributes (3PD behavioral)	Current customer attributes for modeling (1PD demographic) Browsing data (3PD psychographic) Channel preferences (3PD psychographic)	Proprietary data from DSP vendor (1PD demographic data) Browsing data (3PD psychographic)	Current customer file (1PD demographic) Device preferences (3PD psychographic) Lifestyle data (3PD psychographic)

Tying data together

Identity resolution creates connective tissue between each of your data points because it creates a unified, comprehensive view of your universe of potential buyers. **It identifies real people across channels—online and off—with a unique, privacy-compliant ID,** and maintains an accurate, constantly optimized view as each person evolves, giving brands the power to activate person-first marketing campaigns.

Zero- and first-party data are extremely valuable but are limited to what a brand can see on their owned channels. Identity resolution can link transactional, second- and third-party data to zero- and first-party data to:



Fill in data gaps



Rectify duplicate records



Identify unauthenticated customers

(i.e. customers who aren't logged into a brand's app or website when making a purchase)



Tie transactions to previously unknown customers

The more data you have, the richer those profiles become, which means data capture becomes an essential function of a solid data strategy.

Data acquisition

Having more data increases a brand's ability to create deeper customer profiles and measure media efficacy individually and in aggregate. It also ensures you have more data points to match to. A data strategy with identity resolution can connect disparate data points, but the data must be there for that to happen.

Consider where your data is coming from:



Capturing:

Systems and tools that collect data. Loyalty programs and apps are crucial for collecting first- and zero-party data, but how that connects to in-person and offline interactions is just as important (e.g., Are customers prompted/incentivized to enter their number while shopping in-store or dining on premise? Are employees trained to encourage people to sign up for loyalty programs?) Additionally, how that information is stored so it becomes actionable is a key part of the equation, which is where things like site tags, attitudinal surveys and customer data platforms come into play.



Sourcing:

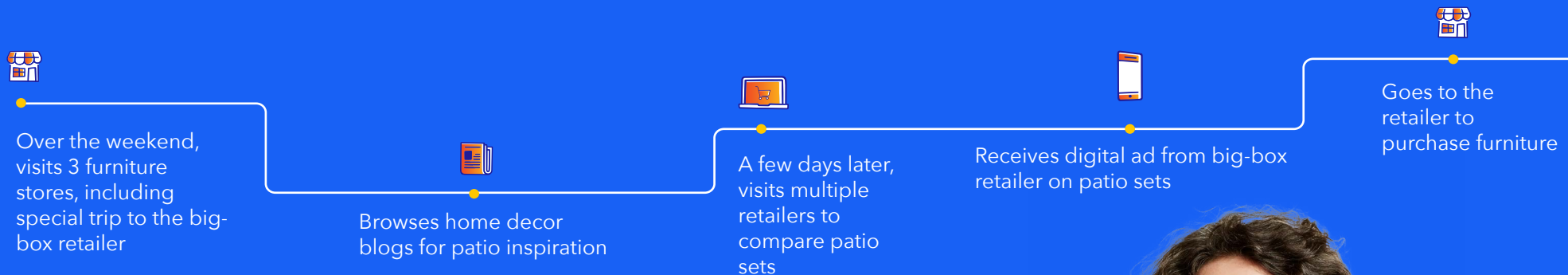
Data sources you acquire from another entity, like a trusted partner or through paid data acquisition. This is second- and third-party data, which can either fill holes in your first-party data to complete it or be leveraged in marketing campaign activation for better targeting, reach, personalization and measurement.

Building your data foundation

Collecting, organizing and harmonizing your data creates a roadmap. Let's look at a real-life example of this in action:

- Jan, a member at a big-box store is giving her backyard a makeover just in time for summer.
- She's been checking different stores for the perfect patio set, both in-store and online, and makes a special trip to the big-box retailer to compare the online product to the physical one.
- Consider if that brand had insight into Jan's browsing behaviors, both on their site and on the open web, and in response to that knowledge, they deliver her a digital ad for the product she's long been seeking.

Jan *wants* to buy patio furniture. The big-box retailer *has* what she's looking for. As she continues her quest to find it, the right ad can be the thing to trigger her to actually buy. When a brand has a deeper understanding of their members, they can clearly see their wants and needs and respond to them in the moments that it truly matters.



In-market for patio furniture

- Online research for patio designs
- Visits Amazon.com, the big-box retailer's website & Wayfair.com
- Shops in-store patio furniture

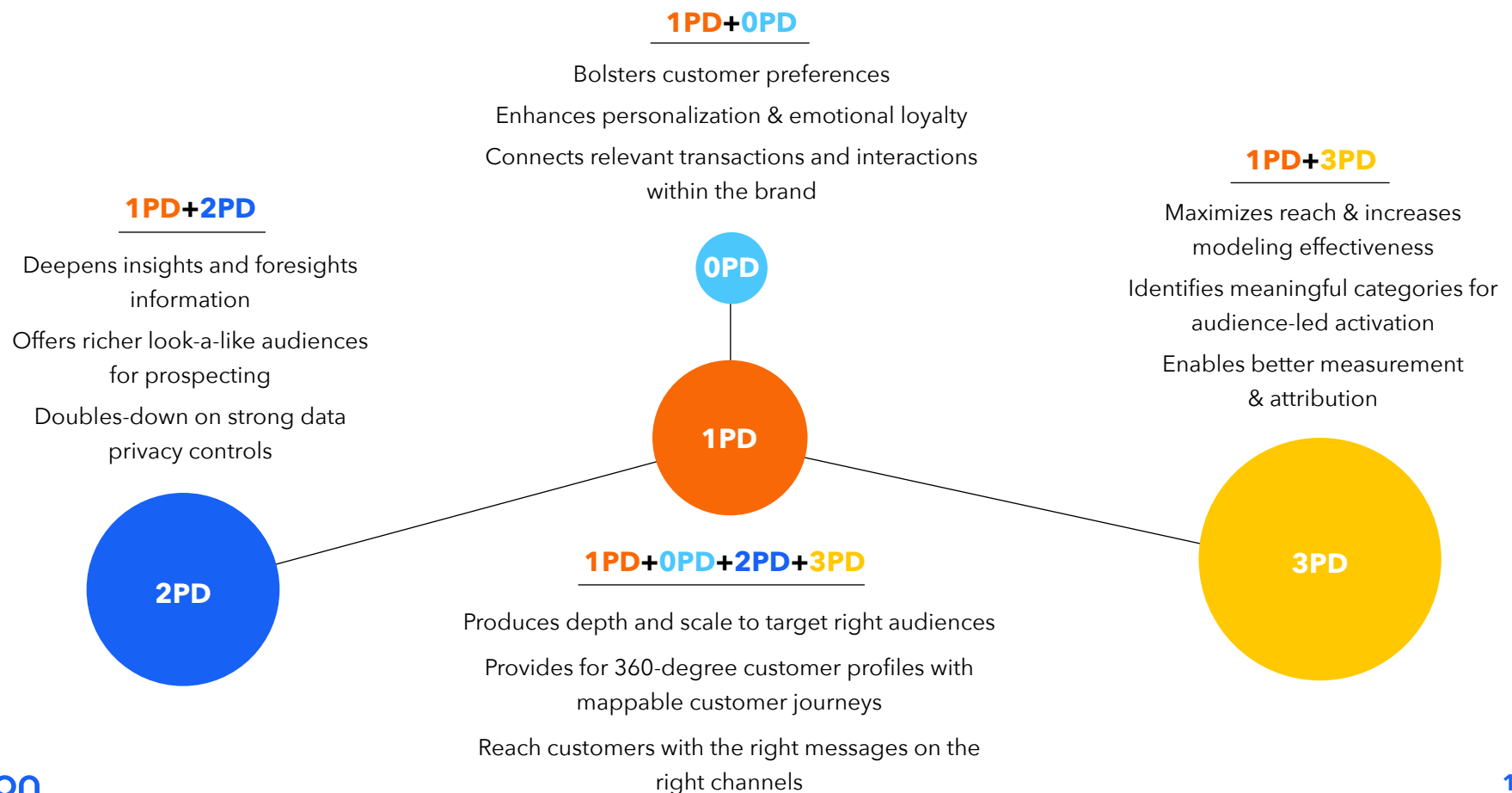


- 11-year member
- Shops 1x/month
- Primarily a grocery customer but buys general merchandise 2x/year (Oct & Nov)

The center of your strategy: First-party data

On its own, first-party data can tell you quite a bit about your customers, but when enhanced, the depth and scale of that data increases. Because of that, brands can tailor **more accurate and targeted marketing plans** using insights like media behaviors and interests.

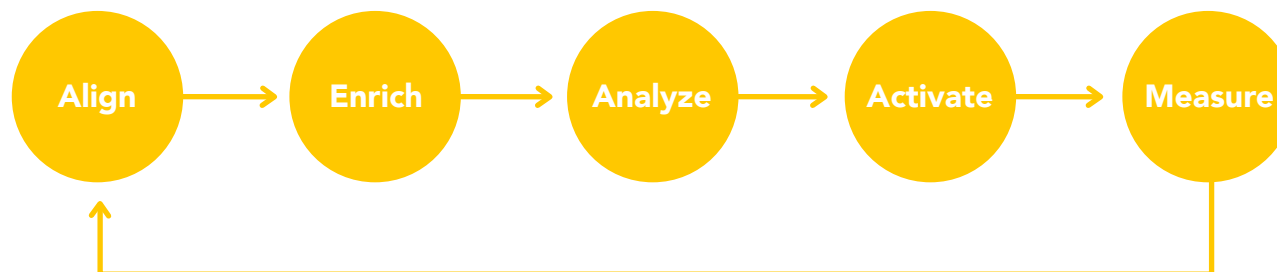
Doing so increases marketing performance and efficacy and reduces media waste. It also uses data to *understand* customers, seeing them for who they are, what they want and where to best reach them.



Breaking down a data strategy with first-party data at the center

A true data strategy has **five basic stages**.

- 1 Align & assess:** Determine what data you have, where it's coming from and how it's stored (e.g., is it stored in one place or several? Do multiple teams have access to it?). From there, align, organize and assess to determine what's usable and where the gaps are.
- 2 Enrich & expand:** With identity resolution, you can fill those gaps and ensure your data is squeaky clean by deduplicating profiles and harmonizing disparate data (via enhancing your first-party data with zero-, second- and third-party data). This gives you a true, holistic view of your customer that you can trust.
- 3 Analyze to uncover insights and growth opportunities:** Once your data is clean, organized and enhanced, you can start using it to drive deeper insights to build stronger campaigns. You can also identify areas where you can grow your data, like implementing a loyalty program or examining how you're using channels like SMS and email.
- 4 Activate & optimize:** Now that your data is organized and enhanced, plug that into your activation strategy and figure out how to optimize your campaigns across channels to reduce media waste and drive conversions.
- 5 Closed-loop measurement:** Arguably the best part about a data strategy is the ability to glean person-based insights from campaigns and plug those back into your data set, which means as your customers change, you're understanding and reacting to those changes, too.



A data strategy in action

Ultimately, **data is the tool that allows markers to drive person-first decisions.**

- **Increased personalization:** Marketing campaigns are tailored based on concrete preferences, behaviors and demographics.
- **A single source of truth:** When you're making a concerted effort to combine and harmonize various data types across channels, you create a data nexus that can be used across teams for more cohesive workstreams and insights operationally.
- **Appropriate budget allocation:** With data, marketers don't have to guess where their media spend is most beneficial. Closed-loop, person-based measurement informs what works, for whom and why.

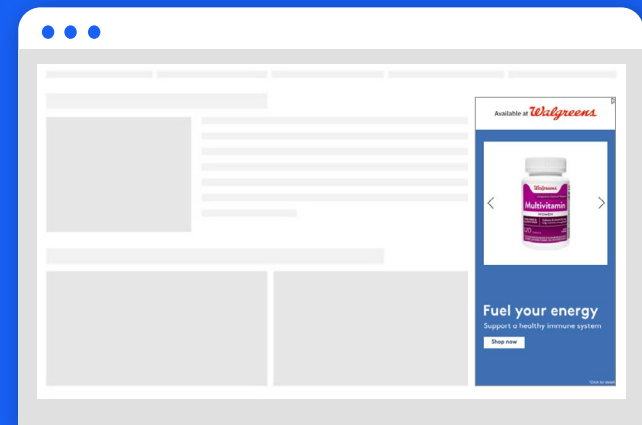
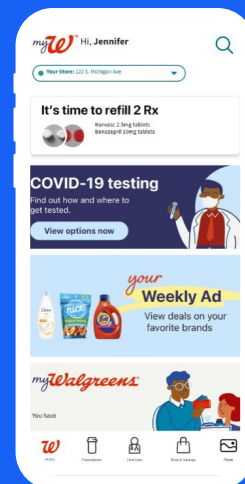
It also fuels campaigns throughout the marketing funnel. (see page 15).

Case study: *Walgreens*

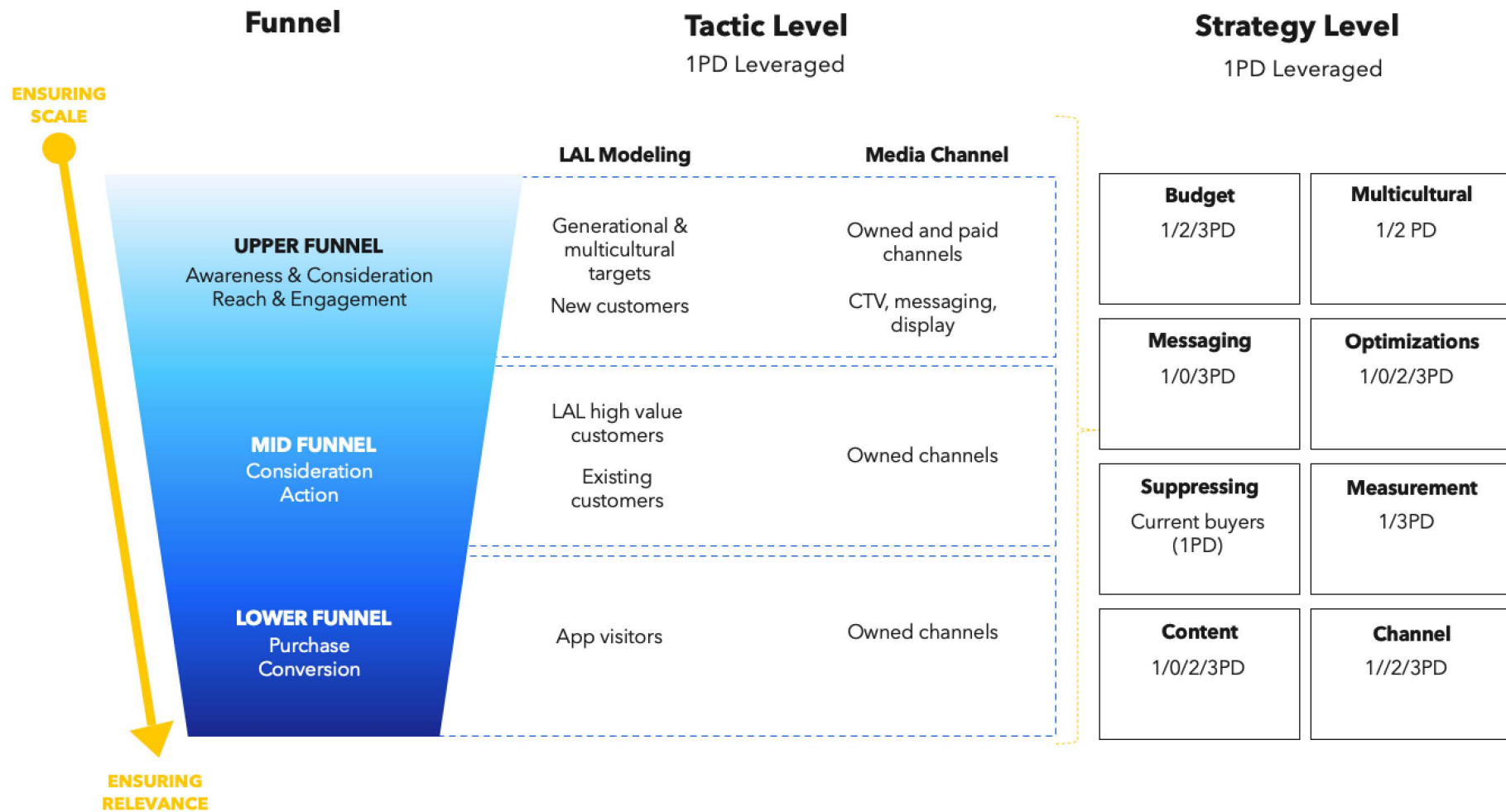
As Walgreens evolved its role from a retailer/pharmacy to a community healthcare partner, the brand needed a better understanding of its customers to deliver the optimal healthcare journey for each person.

Walgreens' loyalty program, myWalgreens™, harnesses first- and zero-party data to know and engage with patients and customers on a 1:1 level. Then, with identity resolution, they use third-party data to develop unique insights into behaviors, demographics and preferences.

By leveraging varying types of data to personalize customer experiences, Walgreens and Epsilon expanded their program to **105 million members** and increased their digital media sales by **\$315 million in a single year.**



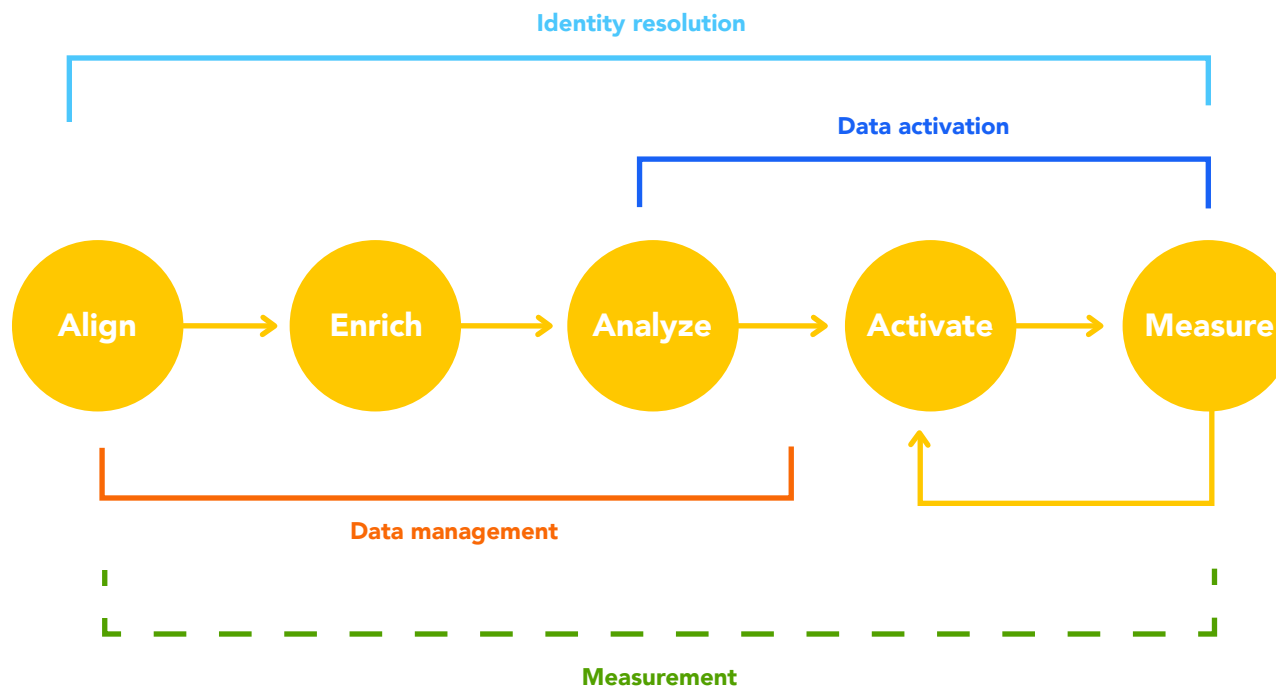
DATA STRATEGY THROUGH THE MARKETING FUNNEL



The right tools to get you there

Putting a robust data strategy into practice requires the right tools. Martech collects and organizes your data, identity resolution makes it stronger, and adtech ensures you can use it to its maximum potential.

But it's the combination of these three pieces—martech, adtech and identity resolution—that creates a seamless marketing ecosystem, decreasing data loss and maintaining data fidelity. It also creates a single “source of truth,” breaking down data silos internally, creating unified measurement to assess campaign performance, and streamlining activations across channels to enhance customer experiences.



A DATA STRATEGY IN ACTION

Managing your data:

- **Customer data platforms (CDPs)** equipped with identity resolution can organize, enhance and activate a brand's existing first-party data. This allows for a person-based understanding of customers and individual-level measurement of campaign performance.
- **Data clean rooms** use a combination of first-, second- and third-party data to derive audience insights, find prospective customers and activate campaigns. And, when powered by identity resolution, enable person-based measurement (similarly to CDPs).
- **Loyalty programs** use customer engagement to build first-party data and bolster it with zero-party data that can be injected back into a brand's customer file.

Activating your data:

- **Digital media solutions** use data to identify which in-market customers to talk to and on what devices and channels to speak to them. Then they deliver those messages and measure efficacy.
- **Cross-channel engagement solutions** (like email and SMS) use first-and third-party data to craft relevant messages to customers through owned channels and can measure the success of individual messages to individual people.

Developing your data game plan



Whether you already have a lot of data at your fingertips or you're just now considering what a data strategy could do for you, the first step is identifying your current strategy and its gaps. Take this quiz to assess your own data strategy maturity. **Check off all that apply and tally your answers on page 20.**

Data sophistication:

- ☐ **Are you collecting data?**
If so: which kinds do you have access to?
 - ☐ Zero-party data
 - ☐ First-party data
 - ☐ Second-party data
 - ☐ Third-party data
- ☐ **Do you have a defined data acquisition strategy/plan?**
- ☐ **Can you identify current data gaps?**
- ☐ **Are you using any form of identity resolution and/or matching to clean and enrich your data?**
- ☐ **Can you look at your customers as individuals at a point in time and over time?**
- ☐ **Do you have target personas?**
- ☐ **Does your data support individual measurement?**

Governance & organizational alignment:

- ☐ **Is your tech interoperable between different departments/teams?**
- ☐ **Is there a standard definition of data across your organization? Is everyone speaking the same language as it relates to your data?**
- ☐ **Are your departments aligned with your data objectives and execution?**
- ☐ **Do you have cross-functional teams and tools?**
- ☐ **Do your solutions prioritize privacy and security?**

Technology tools:

- ☐ Does your tech work from a unified data source?
- ☐ Can you easily distribute data across multiple solutions while maintaining security and privacy? Consistency?
- ☐ Can your tech capture both online and offline data sources?
- ☐ Can you deliver messages, experiences and rewards that create meaningful connections across multiple channels?
- ☐ Can you demonstrate/measure the value each technology generates?

Measurement maturity:

- ☐ Can you look at individual and aggregate measurement results for campaigns?
- ☐ Can you measure outcomes based on life cycle?
- ☐ Do you have multi-level reporting and attribution?
- ☐ Are you getting actionable insights?
- ☐ Can you measure exposure and purchase overtime?

Scorecard:

1–5 checks: Data danger zone	6–12 checks: Wading in the data waters	13–19 checks: On the edge of (data) glory	20–26 checks: Seriously solid strategy
If you aren't checking off any of these boxes (or can only say you do little), you should start today to get your data house in order. Gather the right leaders, examine what pain points you have (and what outcomes you want) and start building a strategy today.	This is the start of a powerful strategy, but one that doesn't go far enough. Consider how you can address your weak points, find a good starting place (is your problem primarily the tools? Is it fragmented teams?) and go one step at a time.	You've got the makings of a really great data strategy but can push the envelope. Looking back on this list, were there small areas of each section you struggled with? Or was it a large portion of a section? Understanding where the problems lie will help you make the right adjustments to make your data sing.	You understand the power of your data. Continue on the path of optimizing your data for to be <i>actionable</i> first and foremost, and you shall reap many rewards (and so will your customers).

Setting the right goals

Each brand is as unique as its customers. Understanding where you are and where you want to go is critical in addressing your data gaps.

- **Database size:** Your database size will determine what strategy best suits your needs. A company with 10 million customers will approach ambition and value differently than one with 200 million customers.
- **Cultural vs. tangible adjustments:** Identify what is holding you back from achieving a greater strategy. Is it simply you don't have the right tools, or is there a deeper cultural aspect (either internally or with your customers) that needs adjusting, such as more visibility about loyalty programs or incentives for data sharing?
- **Reasonable timelines:** Timelines will differ depending on your desired outcomes. Rome wasn't built in a day—and neither is a strong data strategy.

Conclusion

Data is an extremely powerful tool. Even for brands with thriving, active first-party data assets, simply having data is not enough. To sustain true person-based marketing that garners better performance and higher profits, you need to trust in the value of a holistic data strategy.

There is true value in establishing a unified, comprehensive view of your current (and future) customers to speak to them in relevant ways across your owned, paid and earned channels. This is the key to speaking to customers across channels from a single point of view as the brand, with a unified vision for what happens next and consistent voice and messaging to get them there.

KEY TAKEAWAYS



The **quality of your data** is equally as important as the quantity.



For data health, consider how you're **capturing and sourcing** your data and when.



First-party data is most powerful **when combined with zero-, second- and third-party data.**



The ability to personalize marketing and identify channel and content effectiveness on a 1:1 scale **increases revenue and decreases media waste.**



A connected tech stack, powered by identity resolution, **deploys higher performing campaigns and enhances the customer experience.**



When customers receive more purposeful marketing, it sets the foundation of a good relationship **and builds emotional loyalty** (which is priceless!)

Reaching customers effectively requires having a deeper understanding of them and delivering engaging, personalized and human experiences. Understanding how data can interconnect—and which tools make that process seamless—is what sets savvy brands apart.



Epsilon is a global advertising and marketing technology company positioned at the center of Publicis Groupe. We connect advertisers with consumers to drive performance while respecting and protecting consumer privacy and client data. Epsilon accelerates clients' ability to harness the power of their first-party data in order to enhance, activate and measure campaigns with confidence. We believe in an open, privacy-first advertising ecosystem. Over decades, we've built the industry's most comprehensive identity graph to give brands, agencies and publishers the ability to reach real consumers across all channels and the open web. For more information, **visit epsilon.com**.