ANALYSIS

THE IMPORTANCE OF CONTEXTUAL DATA TO THE CUSTOMER EXPERIENCE

MAY 2022

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Introduction

Customer experience (CX) is a big priority for most businesses. Many leaders believe that they know their clients, but this belief means little if their customers feel otherwise. According a Merkle Report entitled "The State of Customer Experience Transformation," businesses might not understand their customers as well as they think they do. Although 86% of business leaders stated that their firms already understood and met their clients' needs, many of their customers simply don't agree.

Today's businesses are investing a lot of money in understanding their customers and are collecting a huge amount of data on them, but their insights on customers' overall experiences are limited. Basically, they lack the contextual data that is required to deliver a meaningful customer journey.

Barriers to a Positive Customer Experience

Siloed systems remain a huge barrier to a positive customer experience. SMG/CMSWire's 2021 Digital Customer Survey reveals that many businesses are contending with siloed systems and/or fragmented customer data. In addition, nearly a quarter of respondents admitted that they had limited insights into their customers' needs or journeys.

Figure 1: Top Challenges to Delivering a Positive Customer Experience

Challenge	%
Limited budget/resources	46%
Siloed systems/fragmented customer data	37%
Limited cross-department alignment/collaboration	34%
Outdated/limited technology, operations, or processes	29%
Lack of in-house expertise/skills	27%
Limited insights into customer needs or journeys	24%

Multiple Responses Permitted

Source: *Digital Customer Survey*, SMG/CMSWire 2021; Recreated by Keypoint Intelligence
Note: Only the top responses have been charted.

Delivering the best possible CX is more complicated than ever before, thanks to the speed with which customers' needs are changing. Of course, the COVID-19 pandemic—which still remains a part of our lives—has done nothing to slow down these shifts. The world has changed, customers have changed in response, and businesses have no choice but to go with the flow. In today's world, delivering intelligent and relevant messaging is all about connecting this messaging to a customer's individual records. This is where contextual data comes in.

The Benefits of Contextual Data

According to a blog by Jacob Britt of Aceyus, context can improve sales as well as customer retention. Contextual data offers the following benefits:

◆ It helps businesses predict customer behaviors by combining past data with future possibilities

◆ It helps contact centers increase sales and improve retention rates because agents can better determine where each caller is in his/her individual purchasing journey

Statements, invoices, policies, and other documents are incredible sources of customer data, and they basically serve as snapshots of an individual customer's unique journey. The data in these documents is legal and accurate, and combining more than one data snapshot from a single customer can offer insight into how their journey has progressed over time. You can also compare their data with that of similar customers to create a profile of likely next steps or behaviors.

By using contextual data to improve customer communications, you can help lead your customers toward the next best action while also fostering an increased sense of loyalty. In addition, this data can be used to identify customers with a high churn rate and then determine the best post-composition actions. An improved CX can reduce the risk of churn. And thanks to artificial intelligence, the technology for analyzing contextual data is getting better all the time.

Contextual Data in a Cookie-Less World

Cookies are small files stored on a computer's browser that are generated whenever you visit a website. Basic cookies are essential for websites to function properly. When used responsibly, they enable brand owners to provide prospects and customers with highly relevant communications and offer a better customer experience. Although most cookies are safe, they have recently come under scrutiny due to new privacy risks associated with widespread public access to digital mobile networks and the internet.

Many consumers are concerned that cookies will enable businesses to track their internet activity without their consent. As a result, some individuals choose to open their browsers in incognito or private mode. These options make it possible to browse privately, so their online activities can't be tracked. Websites see the visitor as a new user and won't know who they are unless they sign in. Even in these modes, however, not all cookies are completely blocked. Browsers will still temporarily accept cookies according to the user's regular preferences.

Data collected by cookies counts as personal information. Due to heightened awareness about technology tracking, consumers are increasingly turning off location services,

downloading personal VPNs, and monitoring the output of their personal information. Some major browsers like Firefox and Safari already block all third-party cookies by default. In response to stricter data privacy laws, Google announced plans to stop the use of all third-party cookies in its Chrome browser by the end of 2023.

Some businesses are panicking over a shortage of cookies as a result of these increased data privacy regulations, but the situation is not as dire as it might seem. For one thing, there's a big difference between first-party and third-party cookies. Specifically:

◆ First-party cookies are placed on your computer if you visit a website. They represent data that has been directly obtained from a customer's relationship with a company, and they will often "remember" users' personal settings so they don't have to enter the same information multiple times. Businesses will still be allowed to use first-party cookies, even as third-party cookies are being phased out. Responsible website owners are transparent about the cookies that are placed and will provide options so visitors can limit the information that is collected, if they so choose.

◆ Third-party cookies are first-party cookies that have been sold to or collected by other marketers. They are used by advertisers to track a visitor's activity across various websites. Pop-up ads are a good example of third-party cookies—it's no coincidence when a pop-up ad suddenly features a product that you just happened to be browsing on another website. Although third-party cookies have been a reliable source for marketers to target ads in the past, the increased focus on privacy suggests that first-party strategies will be better suited for data collection in the future.

As is the case with everything, it's important to understand the specifics of today's data privacy rules and how they will affect your business. To remain compliant with the latest data privacy and cookie laws, you should:

◆ Notify visitors that you use cookies on your website

◆ Share what types of cookies you are using

◆ Inform visitors about why you use cookies

◆ Let website visitors know how they can opt out of having cookies placed on their devices

Third-party cookies will be going away, so digital marketers will need to find new ways to capture data and information. Because contextual advertising can work with first-party cookies, it might be the solution that marketers are seeking.

Using Data to Personalize the Experience

Despite the challenges associated with heightened data security concerns, businesses and consumers still expect a personalized purchasing and marketing experience. Personalization is a proven way to increase customer engagement. We see personalized print in our daily lives. A postcard will remind you that it's time for an oil change, and it

might even include an image of your car's specific model. The graphs on a bank statement will show you how your financial situation has changed over time. Variable data marketing enables efficient advertising that is designed around a prospect's or client's individual needs.

Applying data for one-to-one marketing use is the driving force in appealing to a customer's sense of loyalty and satisfaction. There are many ways to use personalization to attract your customers into willing participation. Explore the new techniques that can be incorporated and consider revisiting more established techniques like personal QR codes that link to a personalized video or message. Today's marketing professionals understand that distinctive and exclusive correspondence can have a positive effect on customer loyalty.

The Bottom Line

With today's volatile data market, it is important to form new habits and re-evaluate your existing ones. Businesses must inform consumers about the personal information that is being collected about them, as well as enable them to opt out of data tracking. The death of third-party cookies will shift the focus to first-party cookies, which relies on publicly available information or data that a customer has willingly provided to a business. Fortunately, businesses and consumers understand that the companies they do business with have access to their personal data, and they have come to expect a personalized experienced that is based on this information.

Contextual data can be used to deliver personalized communications that are truly relevant to recipients. Data is the key to improving the customer experience, but simply collecting this data is not enough. It must be used to deliver contextual and relevant messaging that will resonate with customers based on where they are in their purchasing or decision-making journey.

opinion

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