The Retailer's Guide to Marketing Data

From zero-party to third-party, how consumer data drives growth for retailers

Introduction

To overcome new economic challenges and meet high consumer demands, retailers are exploring innovative ways to improve marketing efficiency and ROI. Best-in-class brands are finding success by leveraging consumer data to help them establish, explore, and deepen their relationship with their audience – through enhanced personalization and data-driven marketing strategies.

Savvy retailers are driving real results through the use of consumer data. A recent survey of retail shoppers by Boston Consulting Group found that when their shopping experience was highly personalized, consumers said they were 110% more likely to buy more items than they planned, 40% more likely to spend more than they planned and 20% more likely to recommend the brand to others.[i] In a survey from Deloitte, retailers that use advanced applications of consumer data for product recommendations indicated that they were able to increase product sales more than five times.[ii]

We created this guide to help retailers understand how to make the best use of consumer data. We'll explore how brands in the retail space collect and leverage consumer data to create cutting-edge marketing strategies for stronger, more personalized connections.
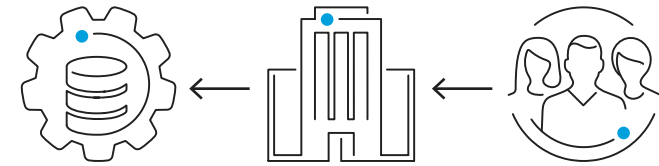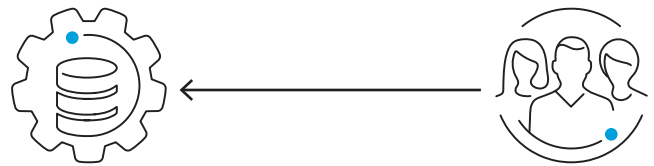
The four types of consumer data

Consumer data is divided into four categories based on how it is collected.

Zero-party data

Data that is shared directly and proactively by consumers about their preferences, interests, and/or intent. (e.g., surveys, preference centers, polls)
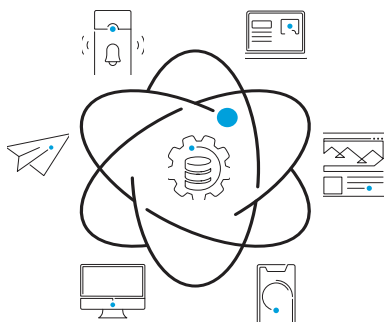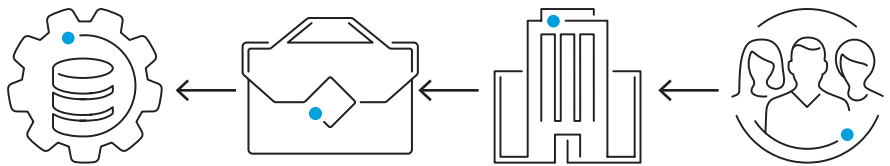
First-party data

Data collected by marketers about their audience and customers. (e.g., account history, email activity, web behavior)

Second-party data

Data that is collected, owned, and managed by a partner company (their first-party data). It is shared through a partnership agreement and with the consumer's permission. (e.g., data from co-branded campaigns, ad data from Google)

Third-party data

Data collected by third-party data providers, like Data Axle, that do not have a direct relationship with the consumer. The data is gathered from various platforms, apps, and websites. (e.g., consumer contact, demographic, psychographic, or business data purchased from a data provider)

Zero-party data

What is zero-party data?

Zero-party data is shared by the consumer and includes their preferences, interests, and/or intent.

It is NOT:
- Inferred through identity or device matching
- Observed through spending behaviors or cookie data
- Basic contact details such as name, email, address, phone number, etc.

Zero-party data is also known as:
- Preference data
- Intent data
- Declared data

Zero-party data is generated by consumers directly interacting with surveys, preference centers, polls, and questionnaires – essentially any format where they can share preferences and purchase motivations in return for better personalization or another benefit.

Why should retailers collect zero-party data?

A recent Forrester report estimated that by next year a mere 15% of global brands will be collecting zero-party data.[iii] In contrast, 92% of marketers said they believe preference data is critical to growth.[iv] Based on these findings, it's clear zero-party data is an area of missed opportunity for many retaile companies as it offers unique benefits:

- **Highly reliable** - Explicit interest communicated by customers is more reliable than interest implied from purchase history, web activity, or other data sources.

- **Efficient** - Zero-party data means marketers can simply ask for this data, which is a quicker and more economical way to generate insights.

- **Low cost** - Can be free or low-cost (if a company knows how to collect it).

- **Privacy friendly** - Giving consumers control of their data by asking them to share their opinions and preferences directly can build trust and credibility.

How do marketers capture zero-party data?

Brands can capture zero-party data in a variety of ways:
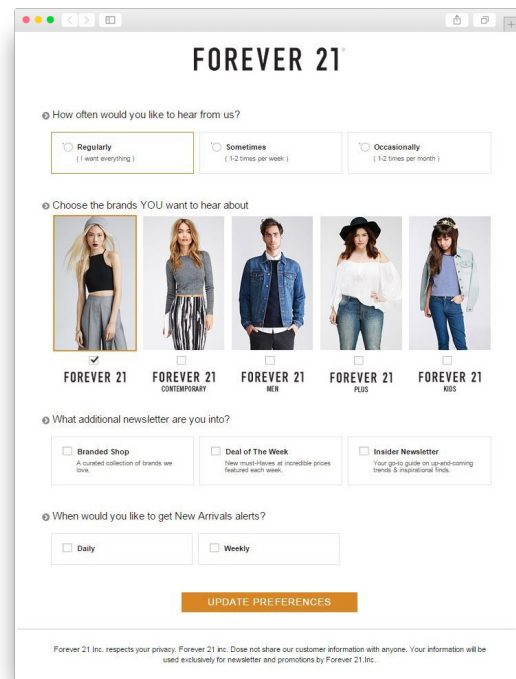
Preference centers

Subscriber preference centers help marketers improve the relevance of their communications and ensure the brand is communicating at the right frequency.

Preference center information to gather:
- Contact frequency preference
- Communication topic preference
- Product/Category Interest
- Unsubscribe settings

Brand example: Forever 21

Forever 21 gives subscribers an easy way to control what product information they receive and how frequently they hear from the brand.

Feedback surveys

Consumer feedback today is amplified by technology advances that make it easier than ever to solicit feedback, giving marketers a more accurate picture of consumer expectations.

Sample feedback surveys questions include:
- Were you satisfied with your experience today?
- Would you recommend us to a friend or family member?
- Did you find what you were looking for on our website today?
- Did our product meet your expectations?
- Would you buy from us again?

Brand example: Anthropologie

Anthropologie sent customers a survey request via email allowing the brand to collect valuable data about the customer journey. The brand even sweetened the deal with a special discount to encourage customers to offer their feedback.

Social polls

Social polls can be a playful way to gauge sentiment or interest from your audience. A Data Axle consumer survey found that 30% of shoppers engage with brands because their social media content is funny or interesting. With some creativity and cheekiness, you can pack a one-two punch – gathering useful information about your audience while increasing your social media appeal with humor.

Brand example: Starbucks

Starbucks used a Twitter poll to encourage consumers to share their feelings about chai latte.

What can you do with zero-party data?

Retailers use zero-party data to create real business results, which include:

Drive Lifetime Value

Every marketer knows that it costs less to keep existing customers than to attract new ones. Increasing the value of existing customers is an important way that zero-party data can impact a brand's bottom line.
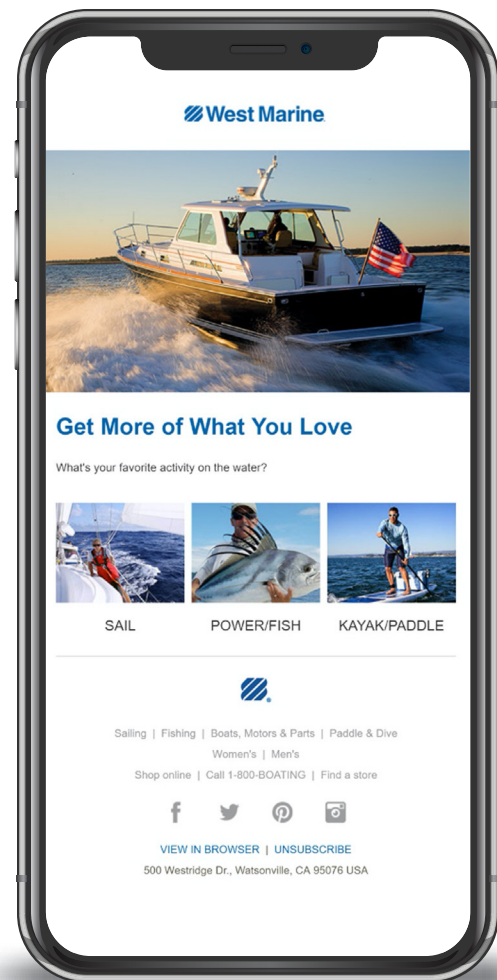
Example: Online Marketplace

Through information gathered from mobile surveys, an online marketplace learned that just three zero-party data points could predict whether a customer would make a purchase. By using these insights to inform their campaigns, they were able to grow the lifetime value of their auto parts customers by sending coupons to those who showed signs that they were close to purchasing, increasing the likelihood of a sale.[v]

Inform Dynamic Content

Having direct data from consumers about what they want can help brands deliver powerful messaging, especially when this knowledge is combined with technology to dynamically serve personalization at scale, resulting in compelling, cost-effective marketing communications.

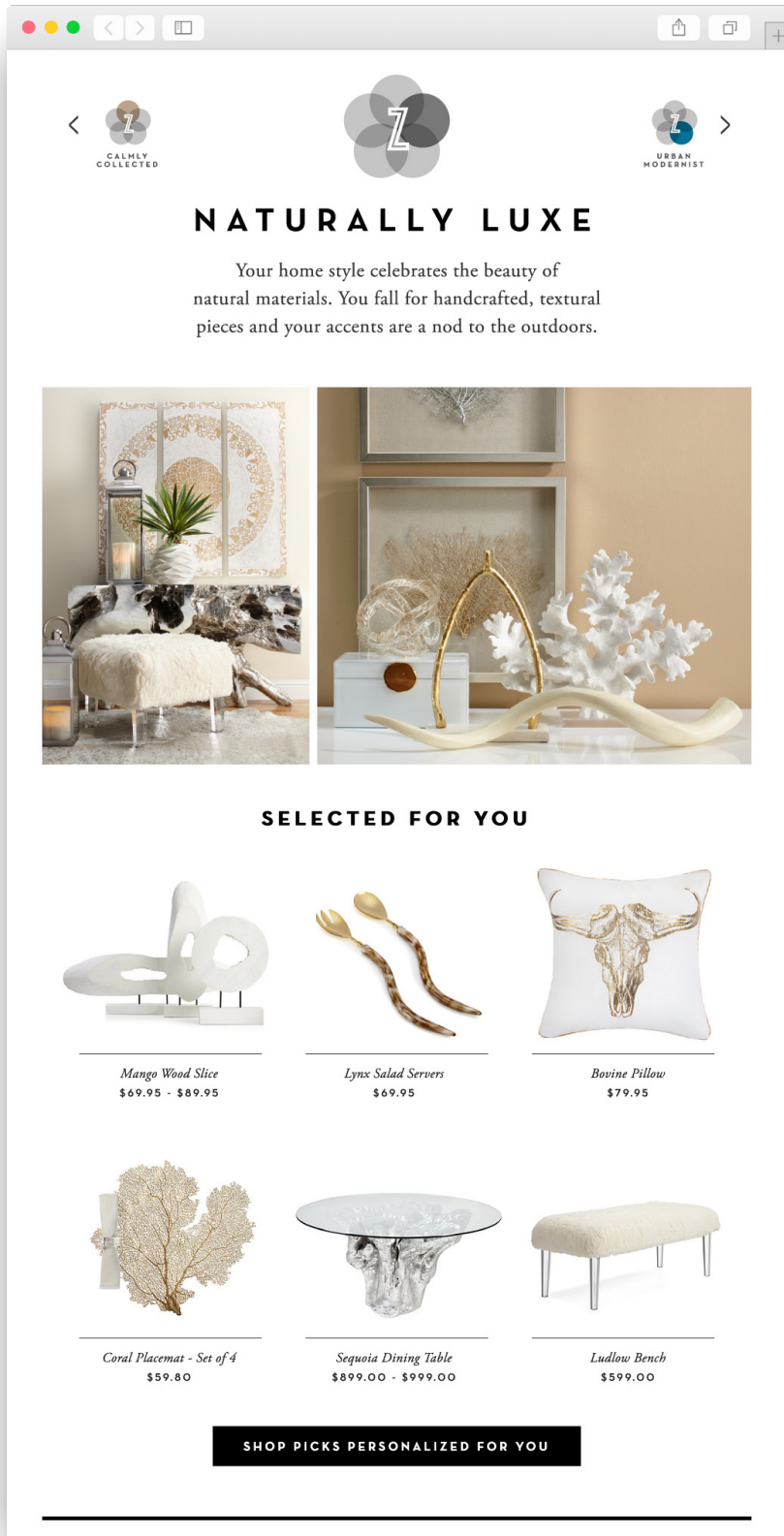## Brand example: West Marine

Boating and water sport retailer, West Marine, delivers dynamic content to consumers based on their psychographic preferences. In their preference center, the brand directly asks their audience about the types of water activities they enjoy (fishing, sailing, paddle boarding, etc.) and then uses this zero-party data to deliver personalized, relevant communications.

Expand knowledgeof prospects and customers

Having direct data from consumers about their behaviors can inform marketing communications.

Brand example: Z Gallerie
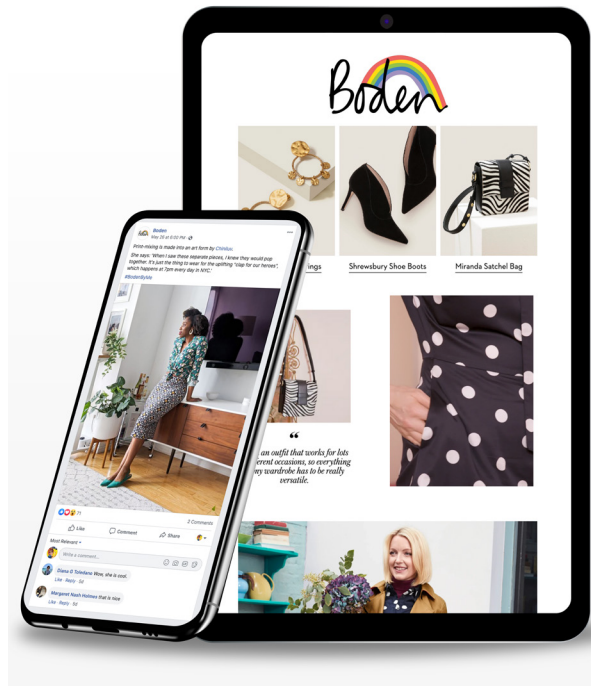
Furniture retailer, Z Gallerie, provides a quiz to help shoppers find their style. After finishing the quiz, consumers are asked to provide their name and email address to collect the results. This entertaining and interactive platform helps the brand collect valuable intelligence about customer and prospect product interests and gives product recommendations that fit the shopper's style.

Boost remarketing and acquisition efforts

Retailers can use self-reported product interest and preferences to create more effective remarketing and acquisition campaigns.

Brand example: Boden

Boden used zero-party data to improve their Facebook campaign results. To collect self-reported data from their audience, the brand launched a mobile look book for a new clothing line which asked consumers for their favorite items, style preferences, and other self-declared data points on buyer intent. They used the data to create custom look-a-like audiences, and then tailored the creative, messaging, and clothing for each segment in a remarketing campaign on Facebook. The campaign drove a 10X return on ad spend, a 50% increase in conversions and 33% larger cart sizes than previous remarketing campaigns.[vi]

Improve engagement

Our recent consumer survey revealed that 40% of shoppers do not receive messages from retailers at their preferred frequency. Asking your audience how often they'd like to hear from you helps boost engagement by avoiding email fatigue (because of too frequent communications) and preventing missed connections (because of communications that are too spaced out).

In addition, asking consumers how they'd like to be contacted helps identify their channel preference and avoid wasting marketing dollars on ineffective campaigns. Email preference centers can have the added benefit of reducing deliverability issues and spam complaints, given that consumers are more likely to consistently open messages they expect (since they've shared their preferences on frequency).

First-party data

What is first-party data?

First-party data is information about your prospects and customers that is collected, owned, and managed by your company. It is all the information, both observed and inferred, that you have gathered about your audience. It can be data observed through spending behaviors, or it can come from first-party cookies on an retailer's own site.

First-party data is also known as:
- Customer data
- CRM data

Why should retailers collect first-party data?

First-party data is your bread and butter – one of your most important strategic assets. According to Google and Econsultancy, 92% of leading marketers said using first-party data to build an understanding of their audience is critical to growth.[viii]

First-party data is beneficial to marketers because it is:

- **Highly reliable** - There are typically no middlemen between you and your first-party data, so you know the information is current and insights gleaned from it are reliable.

- **No cost** - First-party data is collected directly by you and, therefore, available at no cost.

- **Flexible** - It can be used to execute and optimize campaigns across many different channels.

How do retailers capture first-party data?

First-party data is typically collected using tracking pixels or cookies, website analytics, app data, social media, marketing campaign activity, and purchase history.

First-party data includes:

Form-submissions

Data containing basic contact details.

- Example: Name, shipping address, email, etc., collected via web forms, quote request forms, and email subscription forms

Transactions

Data related to day-to-day transactions.

- Example: Payments, invoices, fees

Marketing campaign activity

Observed data from marketing efforts.

- Example: website page views, email clicks, content downloads, comments, and likes

What can you do with first-party data?

Since first-party data includes the bulk of the information you've collected about your audience, the applications are nearly limitless. The insights you gather from first-party data can inform all marketing program components – from email creative and copy, to loyalty program design, to crafting in-store experiences and merchandise displays.

This is data-driven marketing at its core – taking insights from the data you've collected first-hand about your audience and applying them to create more impactful, profitable programs.
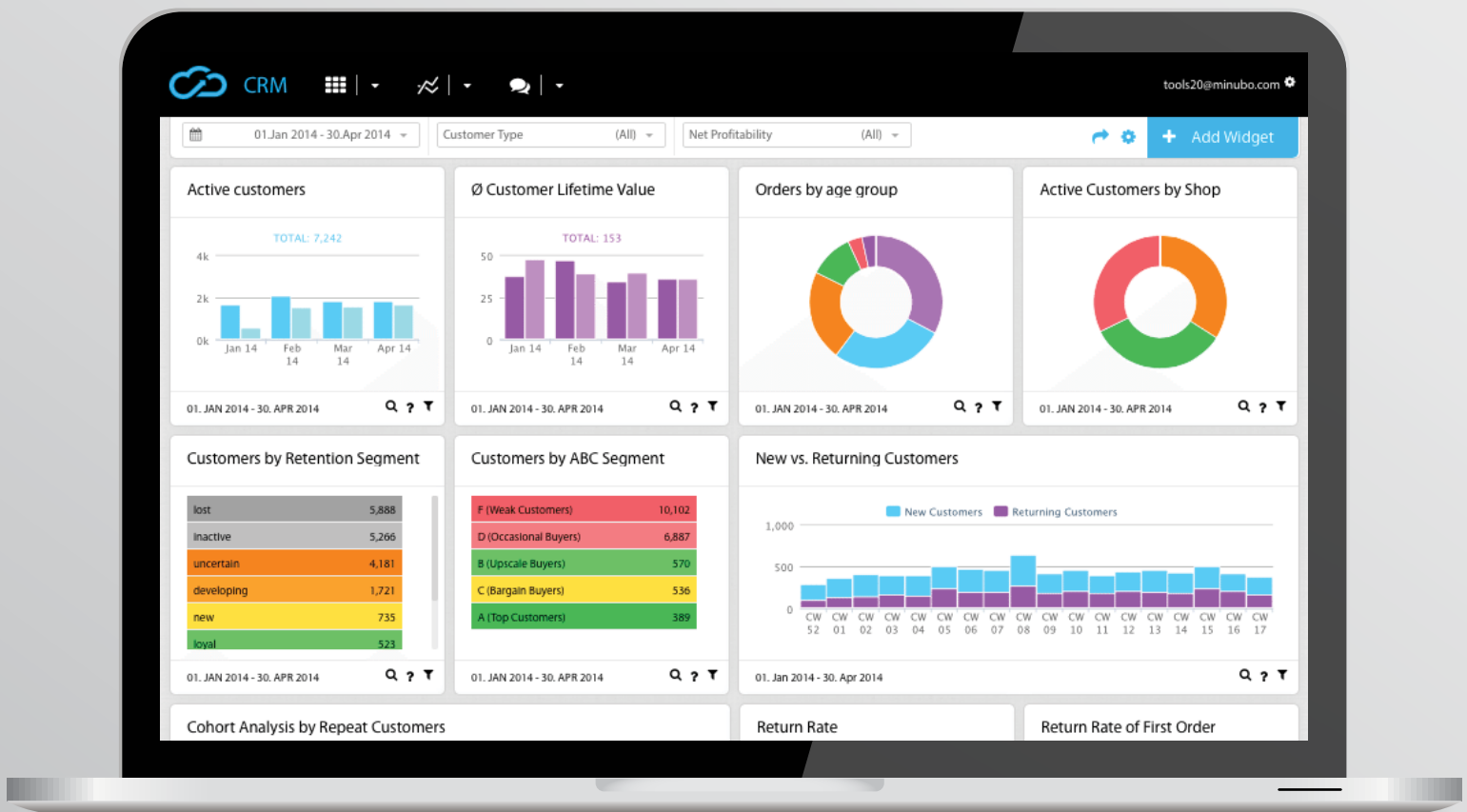
Here are a few examples of some smart marketing applications for first-party data:

Deep purchase insights

Purchase and transactional data can give marketers important details about their marketing efforts, products, and customers. Analyzing purchase data can help retailers manage inventory levels and forecast demand, predict which products appeal to certain customers, recognize which products or audience segments drive the most revenue, and understand sales trends by product type, season, or region.

Unique customer insights

Retail brands can glean crucial information about their audience from first-party data, everything from identifying the highest-value customers to grouping key customer segments (by demographic, behavior, geographic, etc.) to understanding the customer journey.
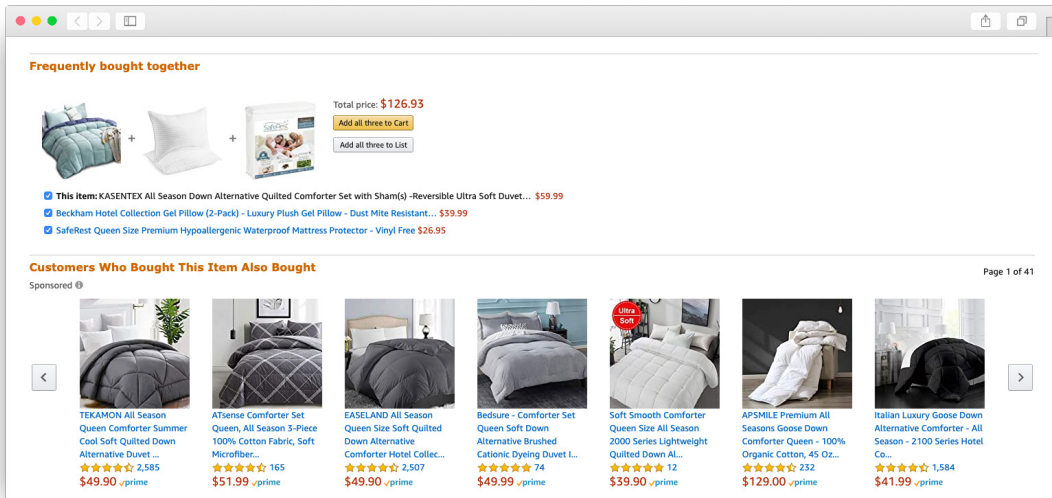
Data-driven product recommendations

Brands can use current customers' purchase history or search behavior to suggest other products they may enjoy. Techniques like collaborative filtering ("people who viewed item X also liked item Y"), can help you suggest relevant items based on data from your entire customer base – driving additional sales revenue.

Brand example: Amazon

Amazon's "Customers Who Bought This Item Also Bought" section uses first-party purchase data to not only drive additional purchases, but to also give shoppers the peace of mind that they are being given legitimate suggestions for items that truly go well together – based on other shoppers' purchases.
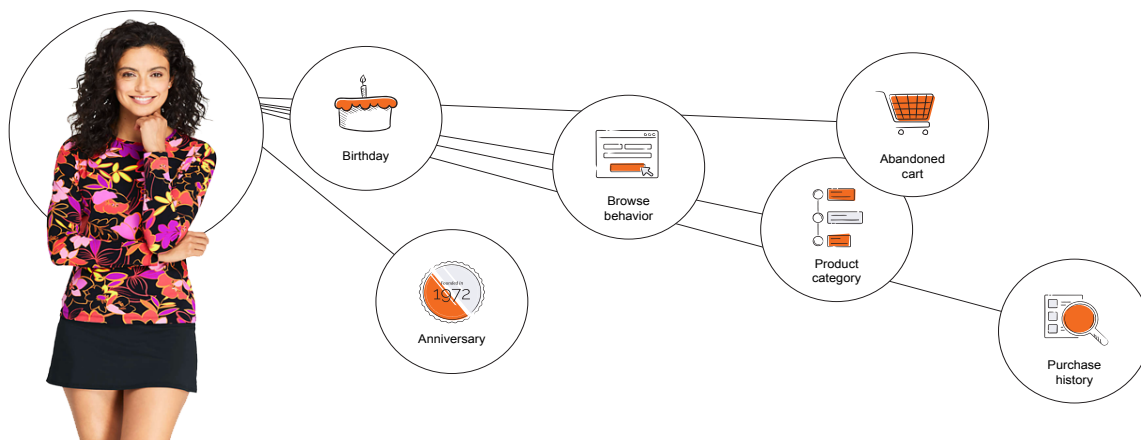

The right message at the right time

Retailers can use first-party data to create personalized messages that resonate with their audience.

Brand example: Lands' End

Lands' End uses first-party data to create a comprehensive email trigger program that has achieved a 158% higher conversion rate (purchase per email click) than the retail industry average. Each of the 15+ trigger message types uses insights from subscribers' email activity, purchase history, browse behavior, and product interests to create personalized, relevant communications, including welcomes, cart abandonment, reactivation and more. In addition, Lands' End combined first-party data with testing to determine the optimal message frequency and volume for their triggered communications - building a carefully planned message hierarchy and automated threshold rules.

Extend the value of seasonal shoppers

Analyzing purchase behavior can help extend the lifetime value of consumers who are occasional or seasonal shoppers. Marketers can identify a set of customers that only purchase during a certain time of year (such as holidays, back-to-school, or Valentine's Day) and make the most of the time they spend with the brand by creating campaigns specifically for seasonal shoppers.

Brand example: Eddie Bauer

You can create gift guides or lists for seasonal purchasers to guide their shopping, then target your marketing efforts during the time of year they're most likely to convert. Eddie Bauer enticed fall fashion enthusiasts looking to enjoy crisp air and campfires with an emailhighlighting "Flannel Season" products.
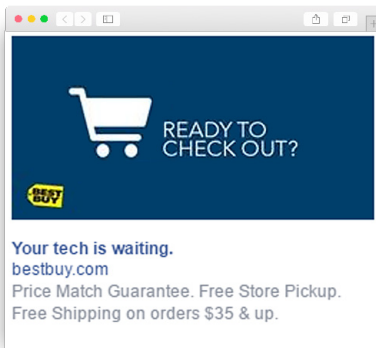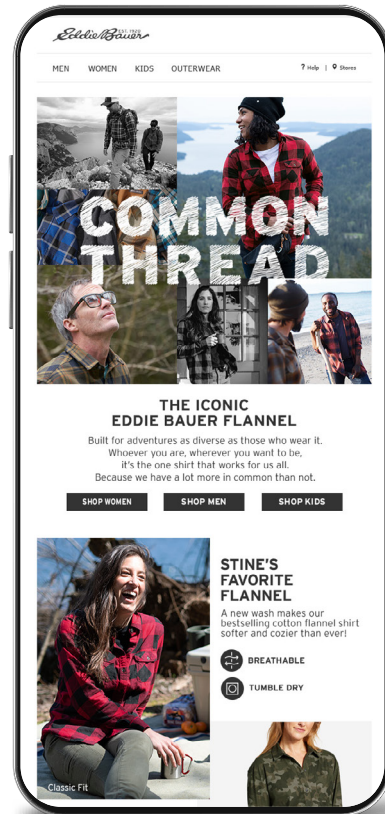

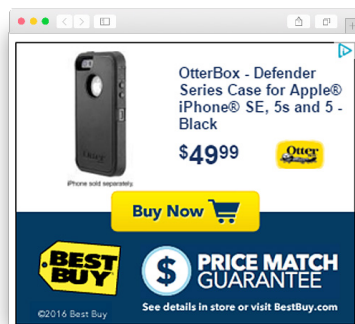*Figure 1: Abandoned Cart Remarketing*

Figure 2: Complementary product recommendation

Remarketing

Having enough first-party data allows retailers to create more effective remarketing campaigns to engage their audiences. You can use insights from your data to find upselling or cross-selling opportunities.

Brand example: Best Buy

Microsoft Bing offers direct integration with data management platforms (DMPs) like Adobe Audience Manager, Oracle, BlueKai and LiveRamp for their search ads. This integration allows retail brands to create search campaigns that use dynamic custom audiences based on their first-party data instead of static lists that must be uploaded for each campaign. By connecting your search campaigns with your first-party data, you could, for example, provide unique ad copy to consumers who are your top spenders, or cross-promote complimentary items to a specific subset of your customers, or target site visitors who abandoned their shopping cart, like these examples from **Best Buy**.
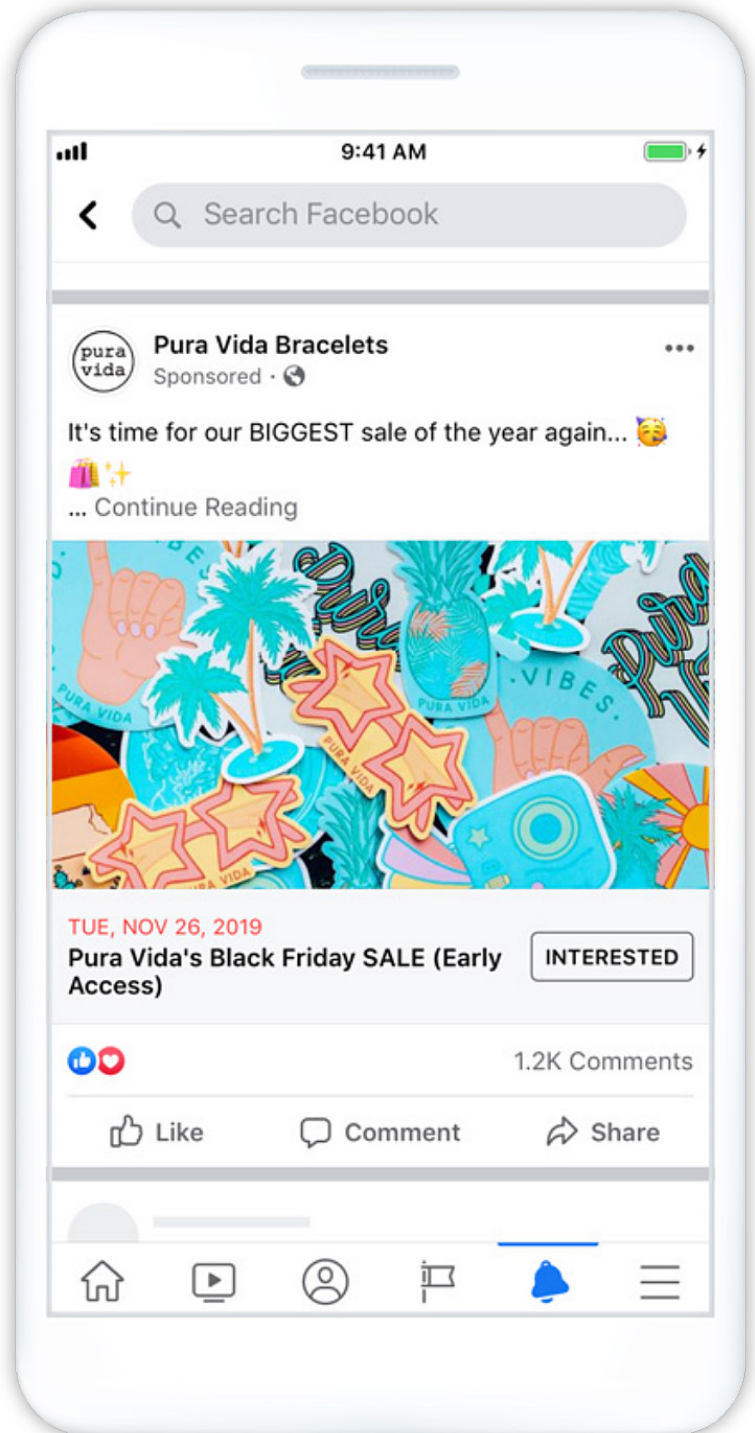
Stronger acquisition campaigns with look-a-likes

First-party data can be applied to lower acquisition costs and boost campaign results by creating look-a-like models. Marketers can take what they know about their best customers – how they behave, what incentives and offers they respond to, what they're interested in – and use it (in combination with third-party data) to identify and target new consumers who are most likely to convert.

Brand example: Pura Vida

Google Ads, Microsoft Bing Ads, Facebook, and LinkedIn all have features that allow marketers to build lookalike or similar audiences based on first-party data.

Artisanal jewelry brand, Pura Vida used look-a-like audiences to build a Facebook and Instagram campaigns during the winter holiday shopping season. The brand built multiple lookalike audiences based on first-party data, targeting consumers similar to Pura Vida's highest online spenders, male customers who were active buyers during the holidays, and customers who purchased during the Black Friday to Cyber Monday timeframe the previous year. This strategy led to a 2.8X lift in return on ad spend and a 28% increase in average order value, compared to the previous year's Facebook holiday campaign.

Second-party data

What is second-party data?

Second-party data (aka, partner data) is information retailers acquire through a partnership with another company that provides access to their first-party data.

Examples of second-party data:
- Data acquired through ad services like Google or Bing
- Co-registration campaigns such as contests or sweepstakes
- Co-op data pools created by a partnership between a group of companies

Why should retailers collect second-party data?

- **Reliable -** Second-party data is collected directly by your partner, so the origins are completely transparent. You know where the data came from, when it was collected, and how/if it was verified.

- **Scalable -** First-party data on its own may not be enough to power all of your marketing programs. In a recent Forrester survey, 27% of participants said they use second-party data due to a lack of scalability of their own first-party data.[viii]

- **Minimal effort to collect -** Second-party data has many of the benefits of first-party data with the added operational advantage of not having to collect it yourself.

- **Competitive advantage -** Instead of launching one-size-fits-all campaigns to consumers, you can use second-party data to identify desirable audience segments based on behaviors and preferences captured on a partner's website and tailor campaigns accordingly.

How do retailers collect second-party data?

Retailers may collect second-party data directly from the company that owns it. In this case, there's no middleman, so brands must find partners who are willing to exchange data for mutual benefit.

Both brands should agree how data will be shared and ensure they have the same approach to data privacy. In addition, the brands can explore technology solutions that help to protect consumer data while allowing them to exchange data efficiently.

In the case of co-op data sources, a group of companies agree to pool their first-party data to create a collective data source that allows brands to benefit from other companies' data. Some data co-ops require members to contribute their own first-party data to participate. Other co-ops - like Data Axle's Transactional Data, which provides transactional consumer data – do not require brands to provide their first-party data but instead enable companies to acquire transaction data through a list rental.
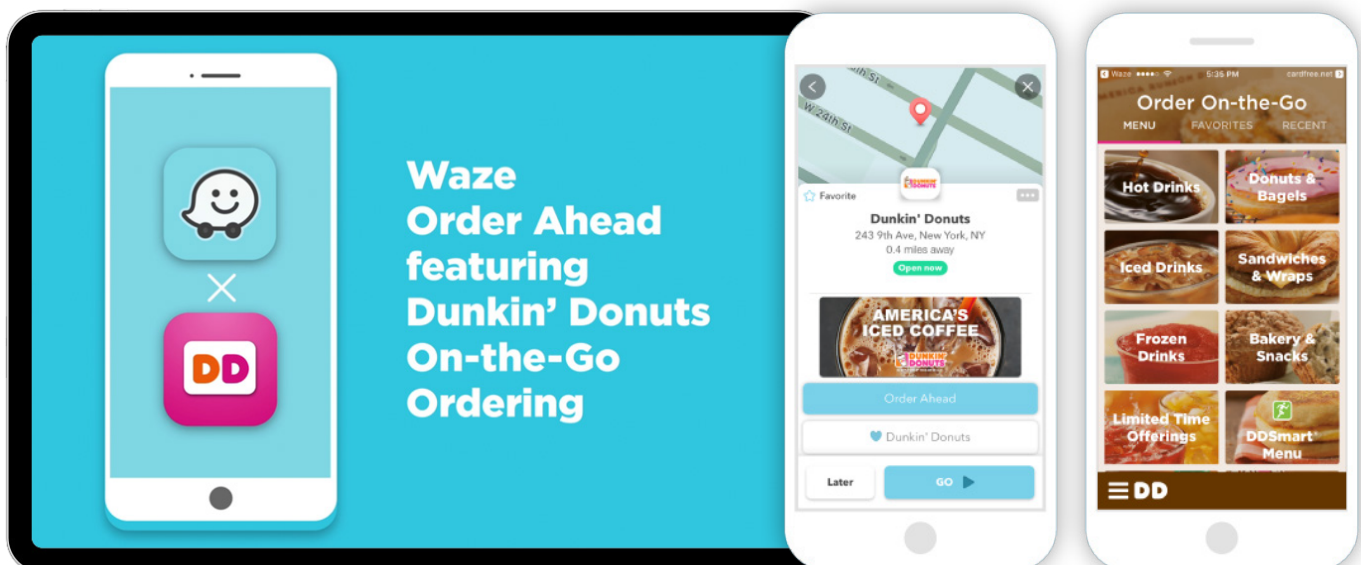
What can you do with second-party data?

Increase your audience

Marketers can increase their reach by using second-party partnerships to find new audiences for their products and services.

Brand example: Dunkin' Donuts and Waze

Dunkin' Donuts partnered with navigation app, Waze to target hungry consumers while they are on the go. The partnership allows Waze users to place a Dunkin' Donuts order directly in the app with the "order ahead" feature and then pick up their order in the store. To make the feature even more fun, the Dunkin' Donuts recruited NFL player Rob Gronkowski to be the voice that guides travelers to the closest Dunkin' Donuts location once they have placed their order.

Learn more about your customers

Gaining greater insights into customer behaviors and preferences was the No. 1 driver of second-party data partnerships, cited by 69% of respondents in a Forrester survey.[ix]

Example: Retail

A retail brand could use Data Axle's Transactional Data co-op which provides data on one billion monthly transactions to build a more complete picture of their customers' behaviors. The brand could then use the co-op data to identify cross- and up-sell opportunities based on consumers' purchase history, behavior, and location and capitalize on them by creating custom audiences for both display ads and Facebook.

Reach niche audiences

Marketers who need to reach niche audiences can seek out data partners who have customers within that niche, allowing them to build out their data set for an audience segment they might not have in their list.

Brand example: Walmart and Buzzfeed

Walmart partnered with Buzzfeed to reach a niche audience through Buzzfeed's Tasty. The publication and online network for food and drink recipes drove Tasty audience members to Walmart's ecommerce site where they offered exclusive Tasty kitchen products for cooking enthusiasts. The partnership allowed Walmart to leverage an existing pool of highly relevant content and videos for their target audience while saving them the time and investment of producing it on their own.

Identify opportunities for co-registration campaigns and events

Savvy marketers can establish partnerships that allow them to co-market with brands that have complementary audiences.

Brand example: Refinery29 and Macy's

Refinery29 partnered with Macy's to create a contest for readers to share their stories exploring the connection between style and the summer season. Readers were encouraged to submit their summer story for a chance to be featured in the publication, attend a photoshoot, and receive Macy's freebies. When the winners were selected and published, Refinery29 readers could "shop the look" of each story with a widget that allowed them to make a purchase through Macy's.

Third-party data

What is third-party data?

Third-party data is collected by external data providers that do not have any direct relationship with the consumers whose data is being collected. The data is collected from various platforms, apps, and websites, then aggregated and "packaged up" in various data sets. Third-party data is NOT simply lists of contacts for purchase.

Why should retailers use third-party data?

Eighty-eight percent of marketers surveyed by Forbes use data obtained by third parties to enhance their understanding of their customers.[x] In addition, the Interactive Advertising Bureau (IAB) and the Winterberry Group estimated that spending on third-party data increased by 17.5% in 2018 to $19.2 billion.[xi]

Some of the benefits of third-party data include:

- **Depth and breadth -** While other data types can be more accurate and less costly, they simply can't match the breath and scale of third-party data. For example, Data Axle has access to more than 16 billion data points across an audience of 320 million+ consumers and 15 million+ businesses.

- **Augment existing data -** Third-party data is important for filling in the gaps in your zero-, first-, and second-party data and enables you to develop a complete view of your customers.

How do retailers obtain third-party data?

Third-party data can be purchased or licensed from a data provider. It can be integrated with a data management platform (DMP) or consumer data platform (CDP), which enables companies to easily append third-party data to their zero-, first-, and second-party data to build more comprehensive audience profiles and better targeting.

Data providers can create packaged **data solutions** by:
- Industry or use case (e.g., small business, B2B, insurance, non-profit, etc.)
- Consumer categories (e.g., frequent travelers, new movers, sports fans, etc.)
- The specific needs of the individual brand

Third-party providers have millions of data points that are collected from a variety of sources, from voter registration to real estate and mortgage information.

Some examples of data types available from third-party providers include:
- Media affinity
- Household income
- Leisure affinities (biking, hunting, knitting, etc.)
- Life events (graduation, new mover)
- Buying habits

What can you do with third-party data?

Third-party data is used extensively by companies to **understand their audiences** and to better target prospective customers.

Achieve a complete view of your customers

While first-party data is valuable because of its precision and relevance, it often lacks scale. Leveraging third-party data for additional insights into your own audience means achieving a more complete view of your customer, which enables retail marketers to improve communications and generate new opportunities.
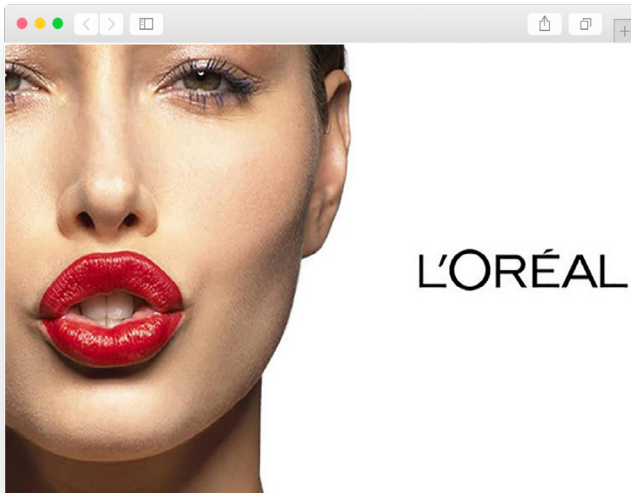
Example: Retail common interest

A retail brand knows their best customers are females, aged 30-50. After supplementing existing data with third-party data, the brand could come to learn, for example, that 50% of its highest-value customers share a common interest (like an affinity for a certain sport) and prefer to consume media on social. This information opens new doors for high-ROI advertising opportunities.

Target your competitor's customers

Brands can use third-party data to find and target a competitor's social media followers and customers and then deliver communications to steal their thunder.

Brand example: L'Oreal

L'Oreal created a highly targeted campaign focused on wooing their competitors' customers on Twitter. First, the brand identified the social media followers of its biggest competitors and then appended third-party data to enhance their social media profiles with additional consumer data. L'Oreal used this enhanced dataset to identify 3 key customer segments – drugstore, indie, and luxe shoppers – and target them with a campaign with unique creative and messaging personalized for each segment and delivered using Twitter's Tailored Audiences feature. After launching the social media campaign, L'Oreal saw an average of 12% month-over-month increase in purchases across each customer segment and lower cost-per-click for the campaign compared to previous social media campaigns.[xii]

Advanced data modeling

Retailers that do not use third-party data may be shutting themselves off from powerful benefits such as cross-device customer identity recognition and resolution, attribution models, retention models, refined look-a- likes, persona and acquisition models, and much more.
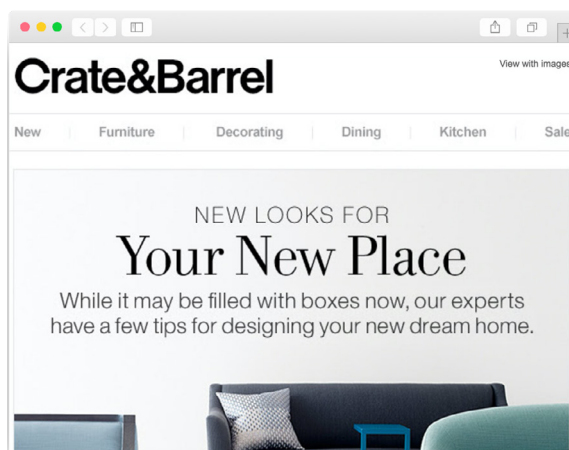
Brand example: Williams Sonoma

A study by Harvard Business Review revealed that 73% of shoppers followed an omnichannel purchase journey.[xiii] Yet a recent survey of retailers indicated only 35% use device ID data to identify consumers across devices and channels, indicating a missed opportunity for retailers.[xiv] Williams-Sonoma uses a combination of their in-house data, second-party data, and third-party data to understand the consumer journey and connect consumer identity across channels and devices. For example, to understand the value of mobile marketing, the brand analyzed the full path to purchase and connected incremental conversions that resulted from activities starting on one device (browsing on a tablet) and ending on another (purchasing on a smartphone. This analysis helped the brand realize that product research on mobile devices heavily influenced sales across all devices. In response, Williams-Sonoma invested in more mobile friendly, digital, and visual mediums which contributed to a 70% increase in mobile sales year over year and a 51% overall increase in e-commerce sales year over year.[xv xvi]

Connect with new customers via personalized campaigns

Retailers can use third-party life event data to enhance their acquisition efforts; they can identify prospects at various life stages – for example, graduating high school, buying a new home, or expecting a baby – and target them with personalized content to engage and convert them.

Brand example: Crate & Barrel

Crate & Barrel used new mover data to target shoppers that recently moved into a new home. The direct mail campaign offered unique coupons for new movers. Once consumers entered their email to redeem the coupon, Crate & Barrel sent them a personalized series of emails with content geared towards new movers – which included tips for selecting furniture that fits their new space, housewarming party entertaining ideas, and decorating tips.

Conclusion

Data-driven marketing strategies are the key to remaining competitive in a changing retail landscape and providing the personalized experiences today's shoppers have come to expect. Retailers can harness the power of each type of consumer data to drive growth and stay ahead of the competition.

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