

A Forrester Consulting
Thought Leadership Paper
Commissioned By Epsilon-Conversant
October 2019

Is Your Identity Program Built On A House Of Cards?

Brands Risk Missing Key Business Benefits
With Unfocused Identity Resolution Programs

Table Of Contents

- 1** Executive Summary
- 2** There's Too Much At Stake For Brands To Guess On Identity
- 4** Many Identity Programs Appear To Be Built On A House Of Cards
- 10** Brands Risk Missing Out On Identity Resolution's Most Powerful Business Benefits
- 13** Key Recommendations
- 15** Appendix

Project Director:

Nicholas Phelps,
Senior Market Impact Consultant

Contributing Research:

Forrester's B2C Marketing
research group

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© 2019, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources.

Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com. [E-43904]



Defining identity resolution:

“The process of integrating identifiers across available touchpoints and devices with behavior, transaction, and contextual information into a cohesive and addressable consumer profile for marketing analysis, orchestration, and delivery.”

Executive Summary

Identity resolution is an important factor in brands' ability to drive customer engagement and business performance. To reap these benefits, brands must deliver more effective marketing experiences and be able to accurately measure their results. And yet today, only half of brands *at best* are capable of fundamental identity resolution capabilities like finding customers across devices, controlling messaging frequency and sequencing, and building a unified customer profile.

In April 2019, Epsilon-Conversant commissioned Forrester Consulting to evaluate the state of identity resolution strategies at US enterprises. Forrester conducted an online survey with 205 respondents and four interviews with marketing and/or customer data decision makers in travel, retail, automotive, and financial services to explore this topic. We found that many identity resolution programs today fail to truly measure business and marketing performance and that many programs are not set up on a sufficiently robust set of identifiers to empower identity resolution's full set of available benefits.

KEY FINDINGS

- › **Too many programs are unable to measure business and marketing performance.** Fewer than half of respondents say their brands use their ID resolution programs to measure online **and** offline marketing performance, and fewer than half say their programs fully support efforts to reduce marketing waste, drive more revenue per customer, or decrease customer attrition. This represents a giant missed opportunity to harness identity resolution to gain insights and drive better business outcomes.
- › **Lack of C-level buy-in and organizational alignment contributes to problems.** C-level executives in this study were highly likely to overrate their programs' accuracy, persistence, and real-time application of insights compared to less senior respondents. Lack of executive sponsorship and priority leads to continued misalignment of programs and can contribute to ongoing confusion across teams — thereby exacerbating problems with measurement and performance and ultimately leading to broken customer experiences and lost business opportunities.
- › **Many programs are too narrow in scope.** Too many programs today overlook reliable high-quality identifiers, like offline transactional data and tuning their activation based on real-time measurement, that ultimately help form a robust view of customer identity. Brands must demand, both of themselves and their vendor partners, a fuller understanding of the customer that will power one-to-one marketing experiences and help inoculate brands against future privacy developments that will endanger current overreliance on cookies.

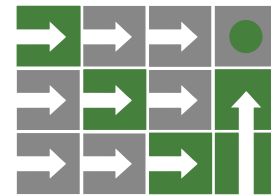
There's Too Much At Stake For Brands To Guess On Identity

Globally, CMOs are set to increase their digital marketing budgets to over \$146 billion by 2023.¹ Despite this massive investment, however, marketers still often find themselves unsure of the efficacy of their marketing efforts. Following the old axiom of not knowing which half of your marketing is being wasted, too much is at stake for CMOs to continue guessing which \$73 billion isn't working for them.

The key to solving this waste and accountability problem is for brands to more effectively leverage the most accurate, complete data available to deliver one-to-one customer engagement and fully measure performance. Identity sits at the core of CMOs' efforts to gain insights into how their marketing efforts are pushing the needle with customers and prospects. Identity resolution is therefore a central building block for unified measurement that allows for campaign optimization, which in turn leads to better business and customer outcomes.²

It's these better business and customer outcomes that drive marketing decision makers' objectives and plans, as this year respondents are prioritizing improving customer satisfaction, as well as increasing product or service profitability, winning new customers, and improving data measurement and activation. Ultimately, identity resolution helps marketers reach the right individuals in real time with the right offers and helps brands drive customers to their next actions and, ultimately, transactions (see Figure 1).

It's therefore not surprising that brands have embraced identity resolution as a key tool driving their customer acquisition, engagement, and retention efforts. Two-thirds of respondents' identity resolution programs have been in place for a year or more. Among industries, automotive companies were most likely to have longer-tenured programs, as 83% of respondents from that industry reported their identity strategies were more than 12 months old, whereas travel companies are at the lowest end of the tenure scale with only 53% of travel respondents saying their strategies were more than a year old. Most commonly, respondents told us they manage the program internally but leverage external commercial tools to help them (see Figure 2).



“Our identity program is aimed at helping us better understand how to focus our marketing on all our different types of customers. How does a customer react to our value proposition and why, how do they choose between products and why. It's an integral part of what we are trying to do with our customer knowledge base and is the core of how we are delivering one-to-one experiences for our customers.”

Marketing director, US enterprise



Figure 1

“Which of the following are your marketing organization’s top business objectives for the next 12 months?”
(Showing percent who ranked each objective among their top three business objectives for the year)



Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Figure 2

“Which of the following best describes your company’s approach to managing your identity resolution program?”



Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Identity resolution strategy tenure



Many Identity Programs Appear To Be Built On A House Of Cards

Marketers understand their success depends on delivering relevant, individualized, and impactful experiences to increasingly demanding and fickle customers who are willing to move on from brands that don't delight them to competitors that will. This study has found, however, that many identity resolution programs today aren't driving maximum value back to these efforts. A majority of brands face challenges across each of the five pillars of identity resolution:

- › **Persistence.** Seventy-one percent of respondents said their brands struggle with the ability to maintain an accurate ID over a period of time and the changes that customers undergo. As a result, brands lose the ability to tailor marketing messages to account for shifts in customer context or risk losing touch with customers as their devices or other identifiers change. Further, this loss means missing the connection required to measure the effectiveness of messaging.
- › **Recognition.** Sixty-nine percent reported their brands struggle with understanding what percentage of an addressable audience are active and reachable online. Failures in recognition mean that brands can misidentify their audiences online, wasting marketing spend or missing opportunities to connect to the right customer with the right message at the right time.
- › **Scale.** Sixty-three percent of respondents' brands struggle with their programs' scale, or the amount of the addressable audience a marketer can reach. As a result, brands are working in the dark trying to tailor marketing to find new customers, while avoiding oversaturating existing customers with messages that don't fit their current context.
- › **Accuracy.** Fifty-eight percent of respondents said their brands face challenges with how precisely their identity resolution programs are able to message the correct person across devices, browsers, and touchpoints. Brands that have inaccurate identity resolution programs can lose track of customers as they use different devices or browsers or are exposed to messages across different channels.
- › **Privacy and compliance.** Forty percent of respondents reported their brands struggle with ensuring that opt-outs and customer privacy controls are in place. Brands that fail to account for customer privacy preferences and controls risk alienating their customers and can be exposed to significant regulatory and financial repercussions.

Identity resolution programs that leave the majority of marketers facing fundamental challenges like this demonstrate that many programs today are hampering marketers. It follows then that just half of marketers, at best, say they're fully capable of fundamental identity resolution capabilities including identifying customers across devices, controlling communications frequency and sequencing, or building a single customer profile using all available customer data points.

Figure 3

Primary Challenge With Identity Pillars By Industry

Industry	Top identity challenge
Automotive	Lack of scale (37% ranked as No. 1 issue)
Financial services	Lack of accuracy (30% ranked as No. 1 issue)
Retail	Lack of scale (35% ranked as No. 1 issue)
Travel	Lack of scale (25% ranked as No. 1 issue)

Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
 Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019



At best, just half of marketers say they are fully capable of fundamental identity resolution capabilities.

Compounding the issue, marketers are likely to overlook the importance of identity's contribution to measurement. Decision makers told us they are more likely to use ID resolution for things like customer preference management and profile development than they are for driving measurement improvements or campaign optimization efforts. Only automotive respondents were most likely to leverage customer ID programs for optimizing campaigns (see Figure 4). As a result, brands are struggling to move beyond the table stakes of identity resolution and are missing out on a major opportunity to leverage full and accurate profiles to deepen their understanding of marketing performance and drive improvements in campaigns and strategy.

Figure 4

“Which of the following use cases do you use your customer ID resolution program for?”



Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Top identity use cases by industry:

- **Automotive:** Optimizing campaigns (52%)
- **Financial services:** Customer preference management (64%)
- **Retail:** Customer profile development (54%)
- **Travel:** Customer preference management (51%)

More than half of respondents said their brands struggle determining the right audiences for online campaigns, resulting in wasted marketing spend. More than half also struggle to prove the performance and measurement of customer marketing, and half said their brands struggle with optimizing online campaigns (see Figure 5). Measurement ultimately sits at the heart of brands' efforts to effectively choose the next best message to move customers through their buying journeys; without the right data to base decisions on, brands risk delivering ineffective marketing and poor customer experiences.

Figure 5

“Which of the following are the top challenges your organization faces with using and activating your customer data?”



Top customer data challenges by industry:



Automotive: 63%
Determining the right audiences for online campaigns



Retail: 58%
Personalizing online campaigns



Financial services/ insurance: 58%
Personalizing online campaigns



Travel: 55%
Optimizing online campaigns

Base: Varies; US director level and up decision makers who influence marketing and/or customer data technology decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

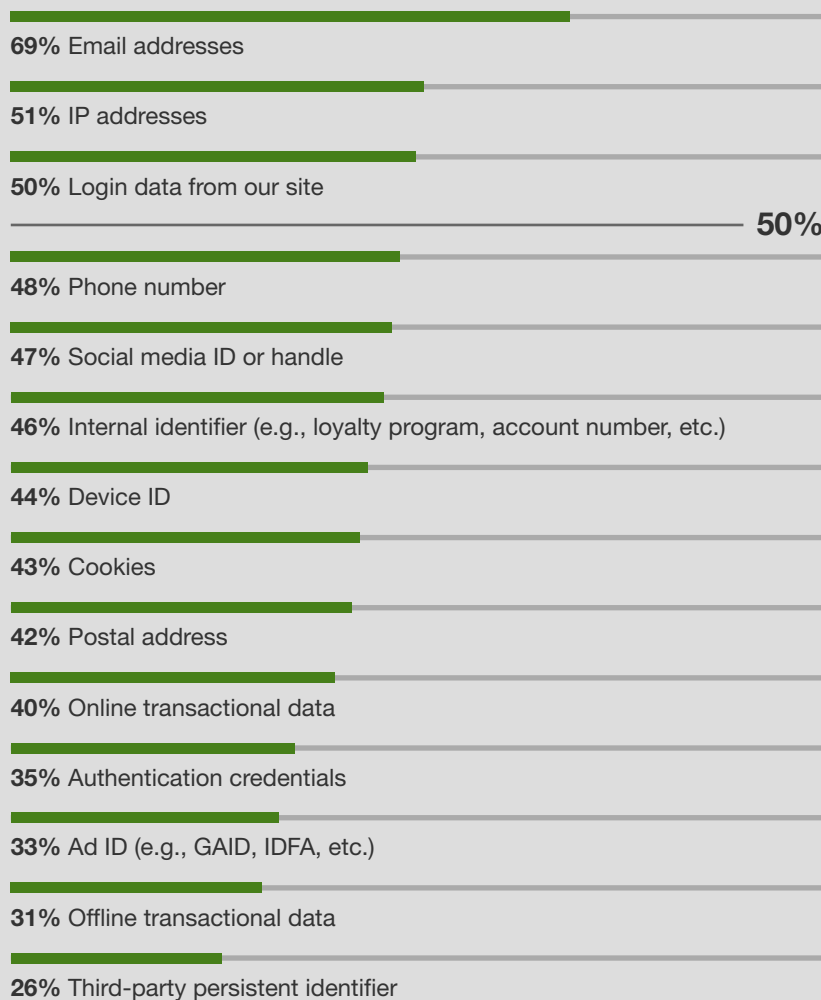
FOUR PRIMARY FACTORS DRIVE IDENTITY RESOLUTION SHORTCOMINGS

Reviewing the primary challenges and approaches governing firms' identity resolution programs reveals that issues mainly revolve around four primary factors:

- › **Limited scope of identifiers.** Most identity resolution programs rely on identifiers like email, IP addresses, or login data, while several valuable identifiers that contribute to a robust identity are being left out. For example, most brands are overlooking offline transactional data (just 31% are using it today), a reliable source of quality, accurate information (see Figure 6), resulting in brands risking too much reliance on first-party cookies, which are under scrutiny through intelligent tracking prevention (ITP) and other privacy developments in the US and Europe.³

Figure 6

“Which of the following do you use to help identify your customer across devices and touchpoints today?”



Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019



Over half of brands' identity resolution programs ignore several important sources of valuable data and insights.

- › **Inconsistent connection to measurement.** More than half of respondents said their brands are challenged with determining the right audiences for online campaigns, proving performance and measurement of marketing, and optimizing their customer touchpoints. As discussed earlier, brands are less likely to deploy identity resolution for measuring online and offline performance, optimizing campaigns in real time, or attribution than they are to deploy it for customer preference management and profile development. Identity programs that focus exclusively on identifiable markers like email or IP addresses or site login data leave out opportunities including understanding customers' online activities to expand the power of identity resolution — and marketing efforts more broadly.
- › **Failure to tie programs to performance.** Many identity resolution programs fail to support marketers because they aren't tied to marketing objectives. Only 29% of respondents said that their firms receive excellent support from identity resolution programs for reducing marketing waste; 42% said they receive excellent support for helping increase revenue per customer and 33% for decreasing customer attrition. This indicates that identity resolution is not being effectively leveraged to understand marketing performance.
- › **Lack of awareness and coordination.** C-suite executives consistently overrated the performance of their identity resolution programs, compared to director-level respondents with more day-to-day visibility. Executives in our study were 25 percentage points more likely to be extremely confident in their customer ID profiles' completeness and accuracy, 32 percentage points more likely to rate their programs' persistence as excellent, and 16 percentage points more likely than directors to believe their brands were ready to immediately leverage new online and offline customer data to update customer profiles and activate against new information. As a result, many brands lack consensus on identity resolution challenges and opportunities. Furthermore, there is a lack of clear program ownership among different organizational silos within companies today.

The net result of this misalignment is significant damage to a brand's ability to succeed. A lack of program ownership can exacerbate the measurement and performance problems identified above, because it can lead to a lack of true understanding across teams. Brands with misaligned identity resolution are left with broken customer experiences, wasted marketing spend, and lost opportunities to expand customer relationships with relevant cross-sell and upsell offers (see Figure 7).

“A key challenge for us is there's so little alignment across our company — knowledge, insights between different analytical resources don't get shared. It's like we're trying to solve the same issues but have different ways of doing it; we definitely need more universal access and communication.”

Senior director, customer experience US enterprise



Figure 7

“Which of the following problems have you experienced or do you believe you would experience with poor identity resolution?”



Inaccurate identity programs hurt customer experience and brands’ financial and performance metrics.

Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Brands Risk Missing Out On Identity Resolution's Most Powerful Business Benefits

The limitations of many identity resolution programs mean brands can't get the support they need to drive marketing success. Identity resolution programs promise to improve customer data management, better target and personalize customer interactions, and gain efficiencies through measurement.⁴ However, many program benefits are out of sync with brands' business objectives, as marketers are implementing the technical aspects of identity resolution but struggling to carry the program through to impacting customer engagement.

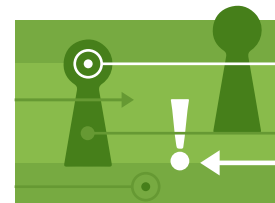
As an example of this problem, achieving more complete customer profiles leads respondents' expectations for what an identity resolution program could deliver, yet only 44% claimed even this most common benefit. Furthermore, in many cases, respondents said their most significant gains from existing programs aren't necessarily aligned with addressing their most pressing challenges. For example, only 40% said they have seen improvement in reaching the right customer with personalized content, and 39% said their brands' marketing spend is more efficient as a result of investment in identity resolution programs (see Figure 8).

Brands need to advance their customer identity programs to better deliver value against their primary business objectives. While nearly two-thirds of respondents felt their brands' identity resolution programs support improving customer satisfaction, which was the top business objective marketers told us they're working toward this year, other critical goals lag significantly. Less than half said they receive excellent support from identity resolution in winning new customers (respondents' No. 3 priority), and 49% said they receive excellent support for increasing product profitability (respondents' No. 2 priority). Misalignments like these lead to issues like accidentally messaging existing customers, serving the wrong offers, and serving offers to the wrong customer. Ultimately, if your identity program can't help you find new customers, there is a clear missed opportunity to leverage its full potential to transform marketing into the growth engine it must be for brands to succeed (see Figure 9).

Brands are tasked with delivering the most relevant, individualized, and impactful experiences for their customers possible, while constantly measuring and refining their marketing efforts. To accomplish these goals, brands must ensure their identity resolution programs do more than simply update and rationalize customer profiles. Identity resolution provides crucial understanding of marketing measurement and performance and sits at the heart of brands' one-to-one personalization efforts.

Figure 8

“Which of the following benefits have you realized as a result of improving your identity resolution capabilities?” (Select all that apply)



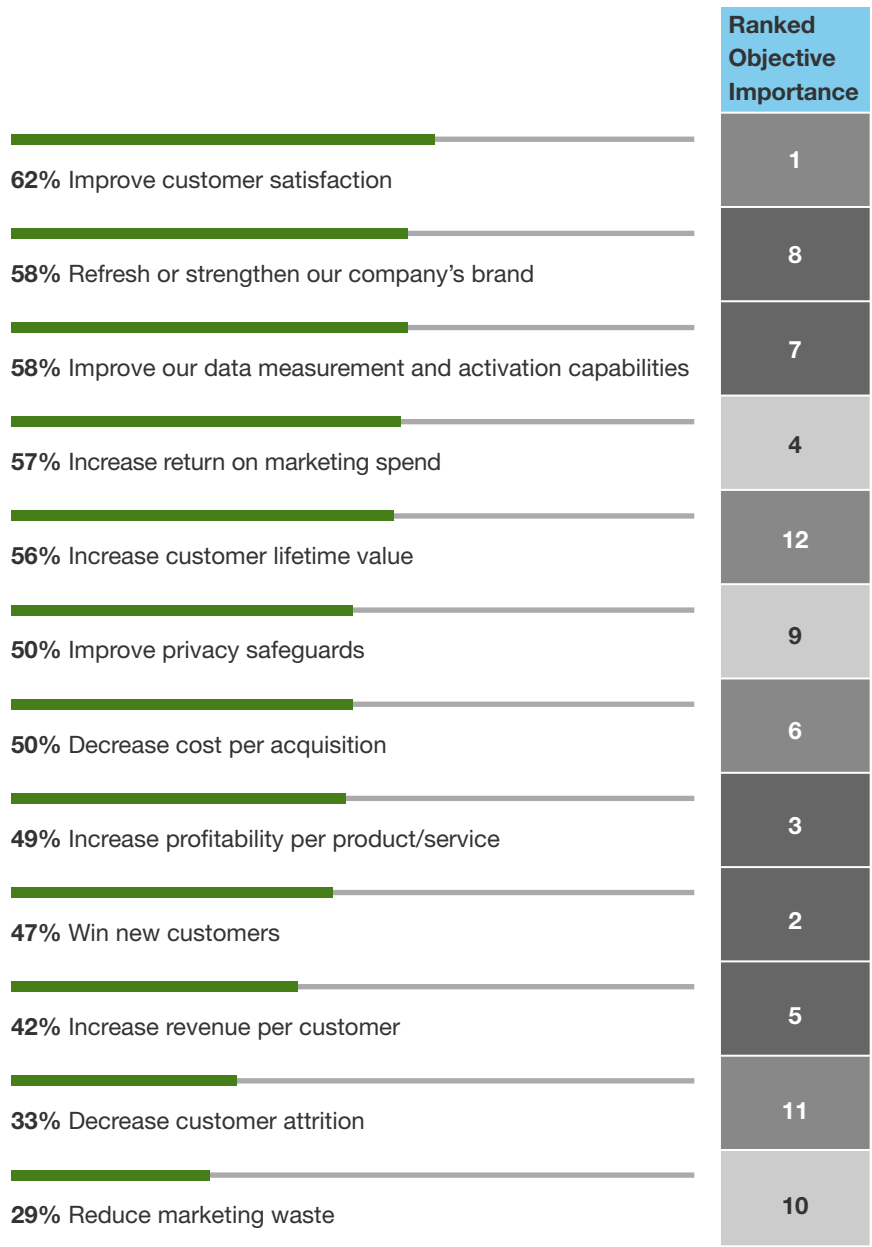
Brands’ return on identity resolution improvements are largely misaligned with their most important business initiatives.

Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Figure 9

“How well or poorly do you feel your customer ID program supports your key business objectives?”

(Showing percent who selected “Excellent support”)



“We realized some time into the program that we needed to tie the work we’re doing back to our key strategic initiatives. This program, at the end of the day, isn’t about better targeting; it’s about making the entire customer experience better. You need to tie your understanding of the customer and prospective customer together for them, not for your tactical goal.”

Senior vice president of analytics, US enterprise



Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
 Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Key Recommendations

Forrester's in-depth survey of 205 enterprise marketing and customer data decision makers on the topic of identity resolution resulted in several important recommendations for readers:



Set your sights on early wins by focusing first on marketing performance and reducing marketing waste. Identity resolution investments should yield immediate, tangible gains. Identity resolution's initial benefits revolve around efficiencies gained by reducing waste, such as enhanced targeting granularity and accuracy that minimizes spend on less performant audiences. The benefit shouldn't be underestimated; even mid-sized brands stand to recover seven-figure savings. Complete and accurate customer profiles drive more precise targeting, attribution across online and offline channels of marketing tactics, and accurate frequency management.



Raise your expectations for what identity resolution is meant to deliver. Most firms embark on identity resolution to initially address tactical efforts such as customer profile development, preference management, or campaign targeting. But identity resolution can't be an isolated or siloed effort. It should be seen in far more comprehensive and far-reaching terms as a means to support a range of use cases across targeting, personalization, and measurement — specifically, from onboarding data through media activation, real-time feedback, and measurement across online and offline channels. Marketers should proactively plan to apply identity resolution capabilities throughout the customer journey and across customer touchpoints to fully leverage the investment and drive business objectives.



Expand the scope of identifiers in your program; go beyond email and logins. The five capability pillars of identity resolution depend on a steady supply of data and identifiers. Email addresses and authenticated data are a strong starting point but don't comprise the full identity picture. For the most complete, accurate, and actionable identities, plan to leverage a greater variety of identifiers. This entails accessing more data sources, which have the benefit of generating more complete and reliable customer profiles with more identifiers, bolstering persistence, and increasing accuracy.



When it comes to running your identity resolution program, communicate, align, and assign. Identity resolution must have organizational support, particularly involvement and prioritization from the C-suite, due to its outsized impact on reaching customers, which is critical to all firms regardless of how good their products and teams are today. Leadership must be informed about identity resolution programs in a consistent and transparent way. Executives can't support and advocate for identity resolution if they aren't fully aware of its applications, performance, and investment road map. Additionally, identity resolution programs need defined ownership and processes for stakeholder collaboration, evaluating and ratifying new capabilities, and identifying and addressing cases where something isn't working well and improvements are needed.

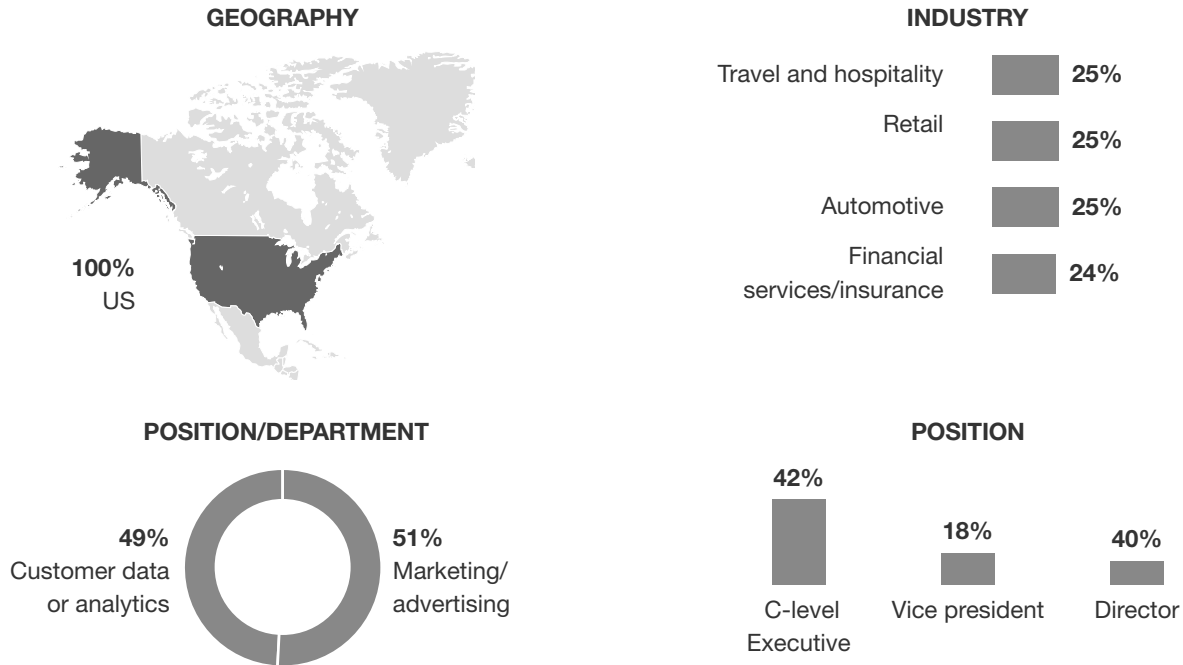


Hold your identity vendors accountable for tackling the tough questions. Managing a successful identity resolution program will inevitably involve partnering with suppliers to support the process. Partner performance is as important as any internal team to identity resolution success. Firms need to hold their partners accountable for supplying scaled, precise deliverables; supporting a broad range of applications; sourcing and managing data ethically; and maintaining a working knowledge of current and future regulatory requirements. Firms also need to set expectations appropriately about seeking a broad set of identifiers including behavioral, contextual, and online and offline transaction inputs. At the same time, the onus is on firms to communicate these expectations, test and benchmark partner performance, and conduct thorough evaluations.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 205 US-based director, vice president, and C-suite professionals in travel and hospitality, retail, automotive, and financial services industries, along with four qualitative interviews, to evaluate the current state of enterprise identity resolution programs. Survey participants included decision makers in marketing or advertising and customer data or analytics roles. Questions provided to the participants asked about their marketing objectives and identity resolution strategies. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in April 2019 and was completed in October 2019.

Appendix B: Demographics



Base: 205 US director level and up decision makers who influence marketing and/or customer data technology decisions
 Note: Percentages may not total 100 because of rounding.
 Source: A commissioned study conducted by Forrester Consulting on behalf of Epsilon-Conversant, October 2019

Appendix C: Endnotes

- ¹ Source: “The US Digital Marketing Forecast, 2018 to 2023,” Forrester Research, Inc., February 7, 2019.
- ² Source: “Now Tech: Identity Resolution, Q3 2018,” Forrester Research, Inc., August 21, 2018.
- ³ Source: “Marketing Under GDPR Hinges On Data Governance,” Forrester Research, Inc., July 10, 2018
- ⁴ Source: “Now Tech: Identity Resolution, Q3 2018,” Forrester Research, Inc., August 21, 2018.