Know Your Customer, Today
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FOREWORD

Understanding your customers now vs then

Even the savviest of savers who are always planning ahead for a rainy day would have been hard-pressed to prepare for the cost-of-living crisis. Everything is more expensive. Rising rent and mortgage rates, energy bills, and even the cost of the weekly food shop are putting pressure on consumers. This is taking its toll – impacting individuals’ financial, as well as emotional, wellbeing.

With the majority of consumers needing to cut down on unnecessary spending as a result, the old adage that ‘only impulse purchases grow retail’ no longer applies. In fact, the cost-of-living crisis is a pivotal moment for retailers to rethink their marketing approach.

Relying on legacy customer data now risks painting a false picture of customers’ wants and needs today. It fails to take into account the extent to which their disposable income has shrunk or how their expectations of brands have changed.

This is what we’ve sought to understand through our research across the UK, France, Germany, Italy, Spain, and the Netherlands. How has the cost-of-living crisis changed consumer attitudes and expectations around brand behaviour and marketing communications?

And – thinking of the future once inflation eases and we can all breathe a sigh of relief – what is the short and long-term impact for those brands which don’t make the effort to understand their customers today?

Understanding your customer today has never been so important.

Heidi Bullock
CMO, Tealium
Learn and adapt

The emotional weight of the cost-of-living crisis cannot be overstated. Consumers are having a tough time, and brands need to be conscious of this when engaging with them.

Our research demonstrates the extent to which consumer behaviour and expectations have changed in the last year. These shifts reflect the fact that nearly half (45%) of consumers in the UK and Europe feel the crisis has reduced their disposable income "to a large extent". From evolving purchasing patterns to looking for different ways to pay, people are adapting to their new financial situations.

84% of UK and European consumers are concerned with the rising cost-of-living. This widespread uneasiness requires brands to be sensitive in their customer communications.
A divided approach

While a third (33%) of British and European consumers believe that the brands they normally buy from are recognising the impact the crisis is having on the public, the same proportion (33%) disagree.

This definitive split in how companies are engaging with customers in response to the cost-of-living crisis represents a ‘sink or swim’ moment for brands. Some are tuning into their customers’ sentiments to adapt their marketing approach; others are not.

Despite this clear divide, most consumers are aligned on what they do expect from brands: 63% want the companies they buy from to be more aware of the emotional and financial impact the cost-of-living crisis is having on them.

Over half (54%) of UK and European consumers feel brands need to be doing more to acknowledge the impact of the cost-of-living in their marketing – rising to 63% in the UK but dropping down to just 34% in Germany.
Finding the right balance

Admittedly, acknowledging the current economic climate and the impact customers are feeling can be a tough ask for brands. They run the risk of appearing disingenuous. Over half (51%) of the British and European consumers we polled said they’d feel cynical if brands mentioned the crisis outright in their marketing. In short, brands have a difficult balance to strike if they are to show empathy without alienating customers.

To walk this fine line, retailers need to really know their customers. So, how can you piece together a complete picture of your customers today?
Customers want to be known and understood, regardless of what device they use to engage with brands or whether they’re engaging in-person or online. Yet companies often have customer data residing in different siloed systems, such as social and email platforms, and when customer data is scattered, insights are incomplete, manual, and slow to surface.

Removing data silos to unify your customer data in one platform is a key first step to understanding your customer today. By implementing technology that can collect data across a wide range of sources, including the internet, mobile, digital apps, digital products, IoT devices, offline data and more, and gather it all into a central hub, you can start to paint a more accurate picture of your customers.

A customer data platform (CDP) combines, cleans, and standardises all data, including behavioural data, to ensure consistency and accuracy, providing a solid foundation to support a first party data strategy. It’s worth investing in a CDP that offers a wide range of pre-built integrations, as well as the flexibility to build your own, so you can bring all your customer data points together.
Each to their own

Viewpoints are unique, and each individual customer comes with their own. A “one size fits all” approach to marketing communications is likely to annoy as many customers as it delights.

Our research highlights the wide discrepancies between what individual customers are looking for from the brands they engage with, and why taking the same approach with all customers will have very mixed results. For instance, while 52% of consumers prefer to receive personalised offers that reflect their recent shopping history, a fifth (21%) do not.

In short, given the seismic shift in potential share-of-wallet, marketers will need to understand their customers as individuals more than ever, if they are to successfully engage with them.

Taking a tailored approach to customer marketing is vital. While 61% of those we polled would prefer to receive offers aligned with their current financial situation, 42% also want to see aspirational offers. Getting this balance right for each individual requires nuanced customer understanding.
Spotting the trends

It’s important to connect the customer data dots to understand them as individuals, but marketers can also learn from trends across customer demographics. For example, older consumers are more likely to want to see brands rewarding customer loyalty during the cost-of-living crisis than younger age groups.

These varying opinions extend to purchasing methods too. While two fifths (42%) of consumers are more likely to use Buy Now Pay Later (BNPL) schemes today, different markets show different levels of consumer confidence in BNPL. In Spain, 49% of consumers are more likely to lean on BNPL, compared to just 32% of those in the Netherlands.

While two-thirds (67%) of 45-54 year olds say that rewarding customer loyalty is increasingly important to them during the cost-of-living crisis, this falls to just 48% of 18-24 year olds.
Appreciating authenticity

No matter the age group or market, one common denominator across many consumers’ expectations today is ‘authenticity’: the majority (58%) expect more genuine communications from brands now than they did twelve months ago.

Understanding the emotions and preferences of customers, rather than just the state of their wallets, is a key first step for marketers. It enables brands to better tailor communications, so they are not only delivered on the right channel at the right time, but they also deliver the right genuine message... one which respects the added financial and emotional pressure customers are under today.

‘Authenticity’ refers to marketing or communications (such as email newsletters or social media posts) that are open, honest, and genuine with consumers. Creating a single view of the customer based on up-to-date data helps brands to understand what people want to see – before they see it.
To understand how to deliver an authentic message that will resonate with your customers, you'll need to organise all of the customer data you're gathering from multiple sources into one cohesive customer view. It's important to do this with your own business needs in mind. You should decide what powers identity resolution and what attributes are most important for insights and targeting, based on your specific business objectives.

Given the scale at which buying behaviours have changed during the cost-of-living crisis, this step should include setting parameters to focus on current data and exclude out-of-date information. This ensures you're not skewing the customer view with old information, and can create an accurate picture of your customer's needs and behaviours today.
Irrelevant vs. irresponsible marketing – the bad and the ugly

Everyone has been affected by the cost-of-living crisis in different ways and to varying extents. However, for most people, it’s about more than just having a bit less cash in their back-pocket.

The current financial situation has invoked a heightened emotional response among consumers, who really don’t want to receive newsletters or offers for things they can’t afford – or, worse still, things they used to be able to afford. As such, it’s important that brands avoid using irrelevant or irresponsible marketing communications during and beyond the crisis. These types of messages have never been effective, but they’re even more likely to turn off (or turn away) customers in the current context.

‘Irrelevant marketing’ describes communications which are not relevant to an individual and their buying behaviours or history. This could include directing adverts for cheaper car insurance to someone without a car, or sharing discounts for a local restaurant with an individual who lives far from the restaurant premises. Many brands guilty of this are relying on outdated data.

‘Irresponsible marketing’ fails to take into account someone’s current personal circumstances. An example could be sharing adverts for expensive non-essential products with someone who is struggling financially and has had to cut back on their purchases. This can be a result of bad practice, or signal a lack of knowledge about customers’ preferences.
CHAPTER THREE

Irrelevant marketing – annoying and disengaging

This type of marketing is rife. Our research found that 51% of British and European consumers receive irrelevant marketing at least once a week. At best, this is annoying; at worse, the customer will stop engaging and buying altogether.

One-third (34%) of consumers have previously unsubscribed from a brand’s email marketing list due to irrelevant marketing, while one-in-five (17%) went as far as unfollowing the brand’s pages on social media. This has long-term implications beyond customer frustration now: once consumers are ready to start buying again, these brands are less likely to be front-of-mind.
Irresponsible marketing – polarising and disruptive

Irresponsible marketing is arguably more damaging. It’s a sure-fire way to turn off potential customers and push existing ones away for good. It’s concerning, therefore, that two fifths (42%) of consumers report receiving this type of marketing at least once a week.

Irresponsible marketing led one-third (34%) of consumers to unsubscribe from an emailing marketing list. For some, it even intruded on their personal life, with a fifth (20%) having discussed it with family, friends, or colleagues – spreading negative perceptions of the offending brands through word of mouth.

Everyone will be affected by the crisis in varying ways, and may respond differently to poor marketing. Women, for instance, shared they’re more likely to disengage because of these two types of marketing, while men – generally speaking – have a higher tendency to lodge a formal complaint.

However, although responses to inaccurate marketing may vary, the fact is that very few people are the same person – or type of consumer – that they were twelve months ago. Data gleaned before the cost-of-living crisis has minimal value when it comes to understanding who customers are today. It’s imperative that brands make changes to truly understand who their customers are – and what they want – now.

French consumers receive irresponsible marketing the most regularly, with Spain coming in a close second. Meanwhile, German consumers reported this as less of an issue.
1. Unify your data

2. Create a 360 customer view unique to your business and deliver relevant customer experiences

3. Build and manage audience segments from a central platform

4. Maximise data to improve customer engagement

Consumers often jump from channel to channel when engaging with brands - visiting the website today but perhaps clicking through on a social media advert tomorrow. This leaves a fragmented trail of data and makes personalisation challenging. An effective segmentation strategy is to build and manage audiences directly from your customer data platform, creating greater consistency throughout your customer experience.

With a CDP underpinning your data strategy, you reduce the risk of including irrelevant or poor targets when building an audience segment. Taking this approach enables you to focus on your best bets and avoid falling into the trap of sharing irrelevant or irresponsible marketing with customers.

Once your unified customer profiles are grouped into specific audience segments that suit your business, it will be easier for you to scale engagement, personalise their omnichannel experience, increase operational efficiency and ultimately, drive value more quickly.
Taking a closer look at the “ugly”

Amidst the cost-of-living crisis, it’s easy for the lines between lazier forms of irrelevant marketing to become blurred with actively irresponsible marketing. Both of these are clearly bad for engagement and sales conversion, but the latter has an uglier side. It carries a longer-term negative impact and risk.

Notably, over half (59%) of respondents confirmed that receiving irresponsible marketing makes them feel more negatively towards that brand that sent it. This was common across all age groups and demographics, but it was particularly evident among younger people.

On the flipside, two-thirds (64%) of all respondents were more likely to buy from brands in future if they shared authentic or genuine communications during the cost-of-living crisis.
Data is the bedrock for “good” marketing

By evolving how they interact with customers as their expectations and preferences change, brands will be better placed to share more authentic messages and content that resonate with individuals.

Timely, relevant data must sit at the core here. It is key to creating up-to-date customer profiles that support more relevant and responsible targeted engagement. Armed with insights from current data sets, brands will have what they need to deliver “good” marketing, while avoiding the “bad” and the “ugly”.
Unified profiles - with all data collected in one place - provide the context you need to build real-time engagement experiences that make sense for a specific customer today. Armed with this insight, you can avoid generic communications, incorrect personalisation and even untimely or irrelevant offers. Sometimes the best action is not to take one at all, such as promoting a luxury item to someone who is clearly focusing their spending on the essentials right now.

If customer engagement data suggests that someone is focused on sale items or shopping in a lower price range than normal, for example, you can cater your marketing communications to reflect this change in their behaviour. This could take form in personalised emailing marketing campaigns, directing an individual towards a new buying format (such as Buy Now Pay Later), or even directing them to a sale at a nearby store.

Delivering more meaningful and helpful experiences to your customers - based on insights derived from your unified customer data - is essential to boosting customer loyalty today.
Know your customers, and evolve with them

Brands are not intentionally investing in marketing that will annoy or even frustrate customers. Yet as we’ve seen through our research, these are the unintended – and damaging – consequences of failing to tailor marketing communications and engagement to customers’ wants and needs today.

For many, personal circumstances have changed, whether in small ways or on a large scale. Retailers need to understand how their customers’ purchasing behaviour and expectations have evolved if they are to have a fighting chance of engaging with them in a helpful, responsible, and authentic manner.

If they can tailor their approach to cater to the customer today, they can ensure customers feel understood and appreciated. This sets them up to not only drive loyalty during the cost-of-living crisis but also generate positive brand perceptions to encourage successful long-term relationships with customers.

This relies on clean, up-to-date data; brands must tap into their customer today and put aside any historical data that points to who the customer was and what they wanted before the cost-of-living crisis. By collecting current data and unifying everything involved in marketing and customer engagement, brands can create a 360 view of their customers to generate the rich insights and targeting needed to engage with customers authentically during the crisis.
With Predict and AudienceStream, you can anticipate when a customer will make a purchase and take action to increase revenue, or identify prospects who won’t purchase and suppress them from advertising to save costs. Power your whole tech stack with predictive machine learning insights when you choose a machine learning-powered customer data platform.

Learn how we can help you achieve your goals today