



The Data Deprecation Challenge And The Promise Of Zero-Party Data

As Third-Party Data Challenges Turn Digital Marketing On Its Head,
Marketers Must Learn How To Acquire And Effectively Use Zero-Party Data

Get started →

Overview

Data depreciation has made it harder to acquire customers and target prospects. Marketers must ensure they use the highest quality of data that is available to them. In our survey of 200 digital marketing decision-makers, who are focused on customer acquisition, 97% of respondents said personalized digital experiences are a cornerstone of marketing programs. We found that zero-party data has emerged as a powerful tool to help deliver personalized experiences. However, many firms underestimate the benefits of zero-party data, even going so far as to unnecessarily limit their use of it to post-acquisition tactics.

Forrester defines zero-party data as data that a customer intentionally and voluntarily shares with a brand, usually in exchange for a benefit, such as an exclusive offer or reward. It can include preference center data, purchase intentions, personal context, and how the individual wants the brand to recognize them.

Key Findings



Data depreciation has led to a reevaluation of data strategies. Zero-party data has emerged as a valuable asset for driving engagement and conversion rates while lowering customer acquisition costs.



Ninety percent of respondents said their firms will be capturing zero-party data within a year. But many underestimate how zero-party data can help, as they don't know how to best use it.



Tech partners are a critical part of zero-party strategies. Many firms look to them to both capture zero-party data and verify its accuracy.

Data Deprecation Impacts The Entire Customer Journey

Brands face four drivers of data deprecation: 1) consumers' privacy-protecting behaviors; 2) browser and operating system restrictions (including third-party cookies); 3) privacy laws; and 4) the proliferation of walled gardens. As a result, respondents note achieving goals across the customer journey as being more challenging: customer acquisition (69%); cross-selling and up-selling (71%); and the broad acquisition of customer data (72%).

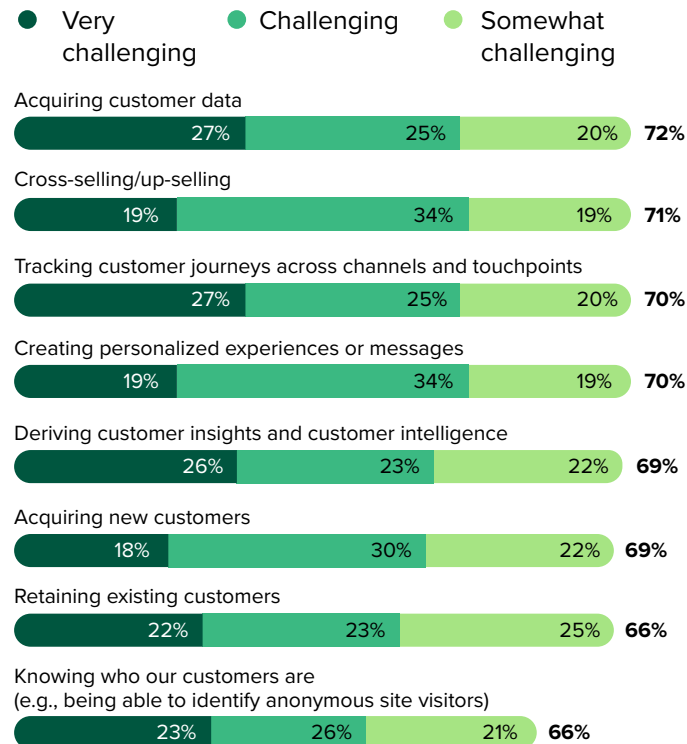
As firms respond to data deprecation, many are focused on collecting higher quality data they can use to drive personalization. Specifically, they are reducing their use of third-party data (42%) and investing in more zero-party data sources (37%).



99%

of respondents say their firms are actively responding to data deprecation.

“How challenging has data deprecation made each of the following for your organization?”



Zero-Party Data Is Critical For Personalization, But Many Firms Don't Know How To Use It

Firms are turning to zero-party data to shape their understanding of prospects and customers and subsequently deliver relevant, personalized experiences. In fact, 85% of respondents told us that zero-party data is critical to creating effective personalized experiences. While nearly as many respondents say they have access to zero-party data (82%), 42% admitted their firms don't know how to effectively use it.

Determining how zero-party data fits into a firm's data strategy is an important step toward building resilient and sustainable marketing programs.

“Which of the following options best describes how your company currently uses each of the following types of customer data to personalize experiences?”

(Showing just zero-party data)

40%

We have access to this data and are using it effectively to drive marketing success.

42%

We have access to this data but aren't sure how to use it effectively.

15%

We have limited access.

Marketers Underestimate How Zero-Party Data Can Help Their Marketing Programs

Even though many respondents aren't sure how to effectively use zero-party data, they still recognize its value and see a wide variety of applications for it. Respondents are using zero-party data to drive customer insights, track customer journeys across channels and touchpoints, and identify anonymous site visitors.

However, fewer respondents are using zero-party data beyond retention and engagement tactics. Respondents are less likely to say their firms use zero-party data to acquire new customers, for example. With zero-party data, marketers can offer incentives to customers and prospects alike in exchange for their inputs on product affinities and purchase intentions; they can then use those insights to drive acquisition or cross-sell/up-sell opportunities.

“How is your organization using or planning to use zero-party data?”

(Showing top 8 responses)



45%

Deriving customer insights and customer intelligence



35%

Remarketing to existing customers



45%

Tracking customer journeys across channels and touchpoints



35%

Cross-selling/up-selling



43%

Knowing who our customers are (e.g., being able to identify anonymous site visitors)



32%

Acquiring customer data



43%

Creating personalized experiences or messages



32%

Acquiring new customers

An Effective Zero-Party Data Strategy Requires Customer Incentives And Verification

The most commonly reported challenge with acquiring and using zero-party data is the concern that the data is not accurate. Because consumers are volunteering information about themselves, marketers must find ways to verify the accuracy of that information.

Additionally, a third of respondents say they're concerned that customers won't share zero-party data. To overcome this hurdle, brands must offer a value exchange or meaningful incentive to encourage consumers to share information about themselves.

“What challenges does your company face when acquiring and using zero-party data?”

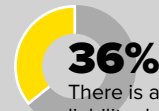
(Showing top 8 responses)



We're unsure how accurate zero-party data is (i.e., we don't believe customers will tell us what they want or who they are).



We're unsure which third-party technologies can help with implementation.



There is a potential liability due to new privacy regulations.



We're concerned that customers will not share zero-party data.



We're unsure how zero-party data fits into our broader data strategy.



We're unsure what data points we should ask customers for.



We're unsure how to ask consumers for zero-party data.



We don't know how to use zero-party data.

Tech Partners Can Bring Zero-Party Data Strategies To Life

Respondents' current emphasis on post-acquisition applications of zero-party data is shaping their investment priorities. When asked to rank their firms' zero-party data investment priorities over the next year, building or enhancing loyalty programs to capture more zero-party data was the main focus, with 66% putting it in their top 5.

They also indicated that tech partners are a critical part of their zero-party strategy. Fifty-three percent said working with a tech partner to capture zero-party data is a top-5 investment priority. Capturing this data and verifying its accuracy are critical, and a strong tech partner can play a pivotal role. They can also help build out zero-party data use cases and experiences across the customer lifecycle, maximizing the value of zero-party data as an acquisition tool in addition to driving retention and enrichment goals.

“Please rank up to 5 of your organization’s top investment priorities in support of its zero-party data strategy over the next 12 months, with 1 being the most important.”

(Showing top 7 responses)

● Rank 1 ● Rank 2 ● Rank 3 ● Rank 4 ● Rank 5

Building or enhancing our loyalty program to capture more zero-party data



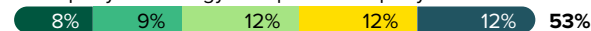
Third-party technology to deliver personalized experiences using zero-party data



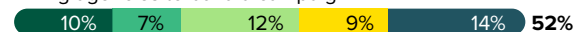
Financial incentives for zero-party data (e.g., sweepstakes, giveaways)



Third-party technology to capture zero-party data



Hiring agencies to build a campaign



Data management and governance



Technology to verify data accuracy



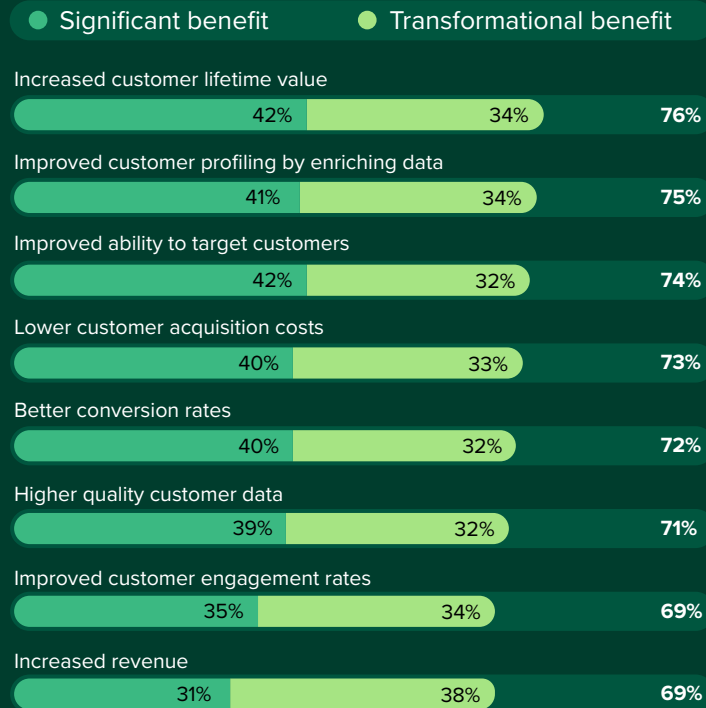
Zero-Party Data Offers Transformational Benefits

Respondents are bullish on the benefits they expect to see from capturing zero-party data. Three in four said it would improve their customer profiling and ability to target customers.

Respondents also recognize that zero-party data can play an important role in both acquisition and business performance: More than two-thirds said it drives engagement and conversion rates while lowering customer acquisition costs. By targeting prospects and customers based on zero-party data, marketers can ease their reliance on third-party data and cookie-based inferences to more effectively target customers. Marketers also see zero-party data as a revenue driver by increasing customer lifetime value.

“What benefits has your organization seen or does it expect to see from capturing and using zero-party data?”

(Showing top 8 responses)



Conclusion

As data deprecation threatens the effectiveness of marketing throughout the customer journey, marketers are turning to zero-party data to form direct relationships with prospective customers. However, challenges remain. We found that marketers are:

- **Focused on providing a clear value exchange.** Among respondents' top zero-party data investment priorities are enhancing loyalty programs to capture zero-party data and offering financial incentives in exchange for this data.
- **Diversifying data strategies.** Zero-party data helps improve targeting and relevance by creating opportunities to learn about a person's affinities, product interests, and preferences.
- **Leveraging the zero-party data ecosystem.** Working with tech partners to capture and verify data accuracy can help firms leverage zero-party data to its full potential.

Project Directors:

Lane Abernathy, Market Impact Consultant

Ben Anderson, Associate Market Impact Consultant

Contributing Research:

Forrester's B2C marketing research group

Methodology

This Opportunity Snapshot was commissioned by SheerID. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 200 digital marketing decision-makers (manager+) who are focused on customer acquisition and based in either NA or EMEA. The custom survey began and was completed in February 2022.

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.

© 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-53876]

Demographics

GEOGRAPHY

United States	50%
France	20%
Germany	19%
United Kingdom	11%

POSITION

C-level	9%
Vice president	30%
Director	45%
Manager	17%

INDUSTRY

Media/entertainment	25%
Retail	25%
B2B software	18%
Financial services/ insurance	17%
Travel/hospitality	16%

REVENUE

>\$1B	18%
\$500M to \$1B	10%
\$300M to \$499M	42%
\$100M to \$299M	31%



FORRESTER®