ZION & ZION

ZPD-6: A Strategic Framework to Facilitate Zero-Party Data Collection

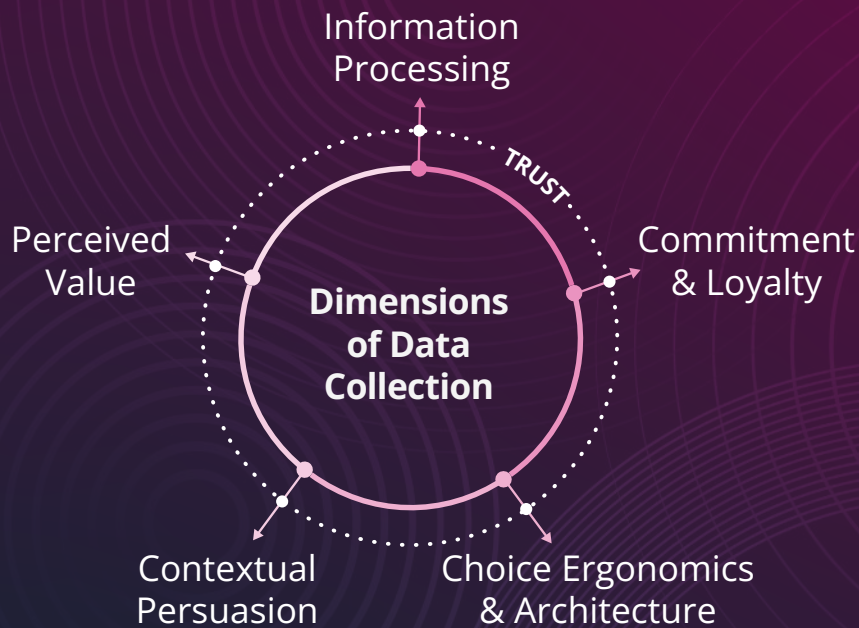# Table of Contents

INTRODUCTION

The landscape of customer data collection is evolving, yet many companies have not fully embraced the crucial shift towards zero-party data (ZPD) strategies. This isn't just an overlooked opportunity; it's a pivotal component for future-proofing business operations. The key to unlocking the full power of a customer data platform (CDP) hinges on the adoption and refinement of not just a first-party data collection strategy, but also a ZPD strategy. However, the current landscape reveals that efforts to collect ZPD often suffer from inadequate processes and user experiences (UX). This deficiency undermines the potential to gather the rich, detailed customer data necessary for crafting truly personalized engagements. As the digital economy moves forward, prioritizing and enhancing ZPD strategies will become not just advantageous, but essential for companies aiming to lead in their respective industries.

A structured data collection approach transcends mere aggregation of audience attributes in a CDP. It involves actively engaging customers in a manner that motivates them to willingly share personal information. Many companies underestimate the importance of fostering a reciprocal relationship with customers. This oversight can lead to a decrease in trust and perceived value, deterring customers from sharing their data.

This white paper identifies six key dimensions that are critical to your zero-party data collection strategy and discusses how to leverage them for maximum impact.

ZPD-6 Framework

Information
Processing

TRUST

Perceived
Value

Commitment
& Loyalty

**Dimensions
of Data
Collection**

Contextual
Persuasion

Choice Ergonomics
& Architecture

Challenge Zero-Party Data Norms with the ZPD-6 Framework

Zion & Zion has identified six key dimensions that are essential to enhancing the zero-party data collection process. These dimensions simplify the complex nature of the process by providing a cohesive and structured framework. Our transformative model, the ZPD-6 Framework, places Trust at its core, encircled by the vital components of Perceived Value, Information Processing, Commitment & Loyalty, Choice Ergonomics & Architecture, and Contextual Persuasion. This approach ensures a strategic and thoughtful approach to data collection that resonates with customer values and privacy expectations.

Trust Matters, But It Isn't Everything

Many companies mistakenly believe they've already established trust with their customers or that having trust is all they need in order to be successful at zero-party data collection. However, this misstep can erode customer engagement, and deter them from sharing their personal information, even if other aspects of your strategy are meticulously crafted.

Building trust requires a steadfast commitment to transparency and a deep respect for customer privacy. Brands must clearly communicate how they will use the data and reassure customers of their commitment to safeguarding their information from misuse. Less than half (48.66%) of online shoppers believe that shopping websites or apps clearly communicate how providing their personal data will enhance their shopping experience.*

Prioritizing customer privacy establishes the foundation for a memorable and positive customer experience. Trust is nurtured through consistent and transparent communication, securing long-term brand credibility and encouraging customers to remain engaged and willingly share their information.

*Zion & Zion e-commerce study, 2024, n=409*

59%
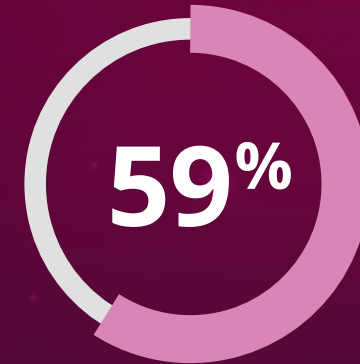
59% of online shoppers indicated a direct correlation between their trust in an ecommerce website and an increased willingness to provide more detailed personal information*

74%
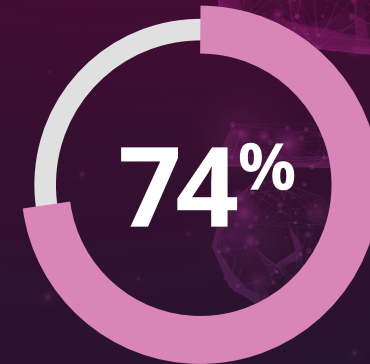
74% of online shoppers believe a more detailed explanation of how their data will be used to benefit their experience will increase their willingness to provide personal data*

61%
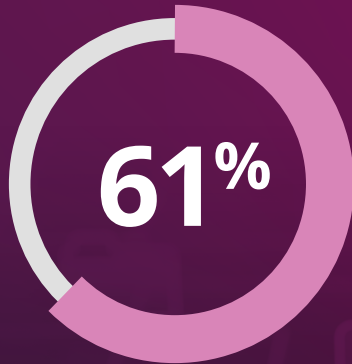
61% of online shoppers chose to share personal information they weren't originally planning to share, based on the discount incentive alone*

76%
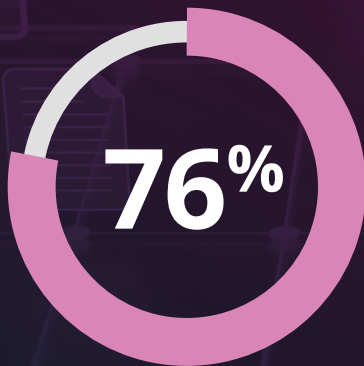
76% of online shoppers declined sharing personal information specifically because the incentive offered was not appealing enough to persuade them*

Misaligned Incentives Hinder Effective Data Sharing

There is a fundamental disconnect between a brand's perception of value to customers and what customers actually consider valuable. Many businesses default to offering small or simple incentives, such as discounts in exchange for an email address to entice customers to share their personal information. This common approach overlooks the diversity of customers and their unique value assessments.

To bridge this gap, companies must understand the diverse perceptions of value among consumers and adjust their incentives accordingly. By tailoring value propositions to individual needs and preferences, businesses can create a more enticing and rewarding data-sharing environment.

*Zion & Zion e-commerce study, 2024, n=409*

PERCEIVED VALUE

Customers instinctively consider the perceived value before sharing personal information, evaluating not only the direct or indirect tangible economic benefits, but also intangible factors such as increased relevance, personalization, time savings, and associated costs. These elements collectively shape the customer's reward-to-risk ratio assessment. For example, online personal assessments that lead to customized content is a more personalized approach to customer experience. In such interactions, customers anticipate tangible benefits that justify their time and effort. This expectation is often overlooked by companies, failing to align incentives with the specific needs and preferences of customers.

Principle in Action

Incentives Go Beyond Monetary Value: Perceived Exclusivity Prompts Data Sharing

A leading luxury consignment online store revolutionized the user sign-up experience by effectively balancing privacy with exclusivity. Requiring users to register before they enter the website, they offer an immediate reward to users that are willing to share their personal information in order to gain access. This strategic incentive assigned a tangible value on access and capitalized on the perceived exclusivity, encouraging customers to engage yet instilling transparency and trust at the same time.

*Zion & Zion e-commerce study, 2024, n=409

75%
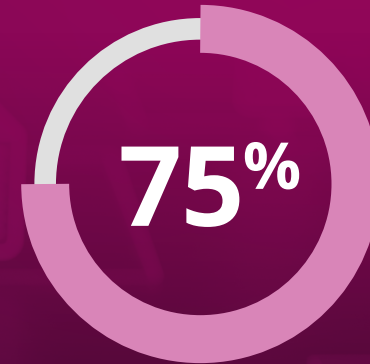
75% of online shoppers stated that the prospect of saving time on future purchases serves as a compelling incentive to complete surveys or assessments on ecommerce websites*

65%
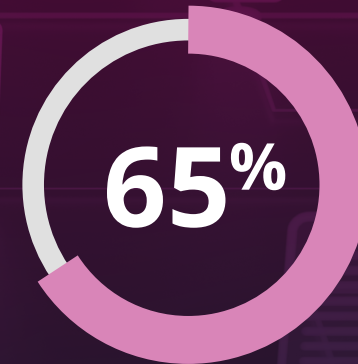
65% of online shoppers reported that the allure of receiving personalized recommendations after completing a survey or assessment was a strong enough incentive to share their data*

85%
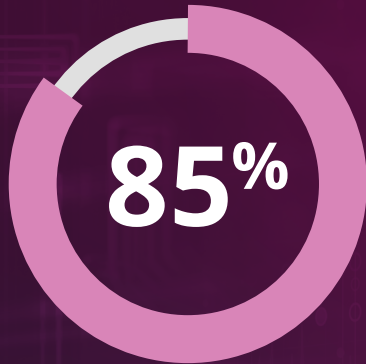
85% of online shoppers believe that ecommerce websites or apps request personal data at inappropriate or inconvenient times*

70%
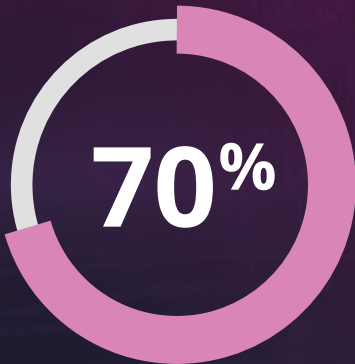
70% of online shoppers indicated an increased willingness to invest time sharing their personal information if the questions are presented to them at an appropriate or relevant time*

Timing Missteps Disrupt Customer Data Sharing

A disconnect often exists between data collection initiatives and the intricacies of a customer's journey. Asking the right questions at the right time is crucial for facilitating a seamless customer experience. This requires a deep understanding of the customer's journey, anticipating their needs throughout that journey, and aligning your data collection efforts accordingly.

For a brand to effectively gather data, it is crucial to recognize and strategically act upon moments when customers are most receptive to sharing information. It's equally important to consider what information is being asked and in what order. The relevance and sequencing of questions are key factors in maintaining alignment with the customer's current mindset and the context of their journey. Many companies pose ill-timed or irrelevant questions that disrupt the customer's journey, leading to resistance to sharing information.

The effectiveness of your data collection strategy hinges on seizing opportunities when customers are ready to share and ensuring that every data request is thoughtfully and purposely integrated into their journey. This involves crafting questions that resonate with the customer's current engagement level and journey stage, thereby fostering a sense of natural progression rather than disruption.

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CONTEXTUAL PERSUASION

When brands neglect the delicate balance of timing, relevance, and context in their data collection efforts, the results can be detrimental, disrupting the data sharing experience and detracting from the intuitive and seamless interaction customers expect.

Principle in Action

Context-Driven Data Collection

For a premium global jewelry brand, renowned for its exquisite designs, we developed a sophisticated approach to customer interactions based on contextual persuasion. As customers navigate through the collections, the brand introduces tailored queries to gather customer data. For instance, when a customer looks at a ring, it is an ideal opportunity to ask context-specific questions, such as inquiring about the occasion for purchasing a ring - be it a wedding, anniversary, or a gift. This targeted inquiry not only gathers customer data, but it enhances the shopping experience by recognizing the personal significance behind each purchase. Such strategic data collection allows the brand to tailor its future marketing efforts, ensuring that they are not only relevant but also resonate deeply with the customer's significant life events and preferences.

*Zion & Zion e-commerce study, 2024, n=409

88%
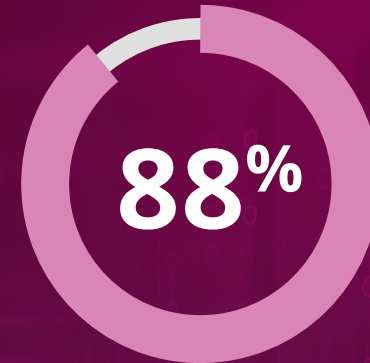
88% of online shoppers refrain from providing their data if they feel the request is unrelated to their intended purposes of visiting a website*

70%
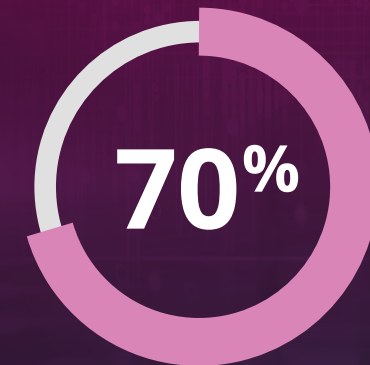
70% of online shoppers believe that their online shopping experience is negatively impacted by a company asking for their email in exchange for a discount upon first entering the site*

84%
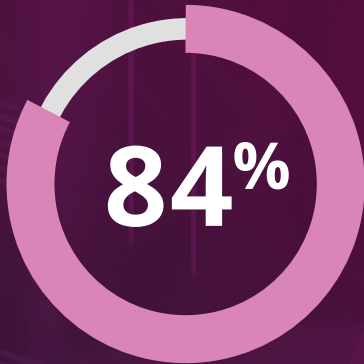
84% of online shoppers are more willing to complete a survey to provide their personal data when given the option to skip or opt out of specific questions*

86%
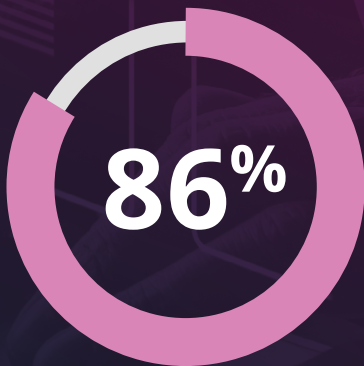
86% of online shoppers have abandoned a survey, quiz, or assessment on an ecommerce website when it required the entry of their email, phone number, or other personal information before they are able to view results

Oversights in User Choice Undermine Data Sharing

How companies solicit and present information to users is paramount. The choice of words, the arrangement of options, and providing an opportunity to opt-out are extremely important to the user experience. By arranging options sequentially and ensuring they are comprehensive and distinct, companies convey an understanding of their audience, relevance and personalization, encouraging users to engage and willingly share information.

Companies must also recognize user autonomy in data-sharing. Offering options like "Opt Out" or "Skip" for data requests can enhance user's willingness to share information. Many companies overlook these intricacies, unaware that these subtle yet crucial elements define the success of data collection strategies.

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CHOICE ERGONOMICS & ARCHITECTURE

Principle in Action

Empowering Users Through Self-Identification

Working with a leading national home improvement and hardware retailer, our team enhanced data collection through user-centric choices. As part of the account creation or app download process, users are given options to self-identify their expertise level in home improvement, ranging from beginners to experts. Additionally, they are prompted to indicate the number of home projects they typically undertake annually. This approach not only tailors the experience to each user's skills and preferences but also allows the brand to gauge the potential for customer engagement. By offering this level of personalization in data sharing, the retailer creates a comfortable environment that encourages users to willingly provide information, fostering a more connected and customized user experience.

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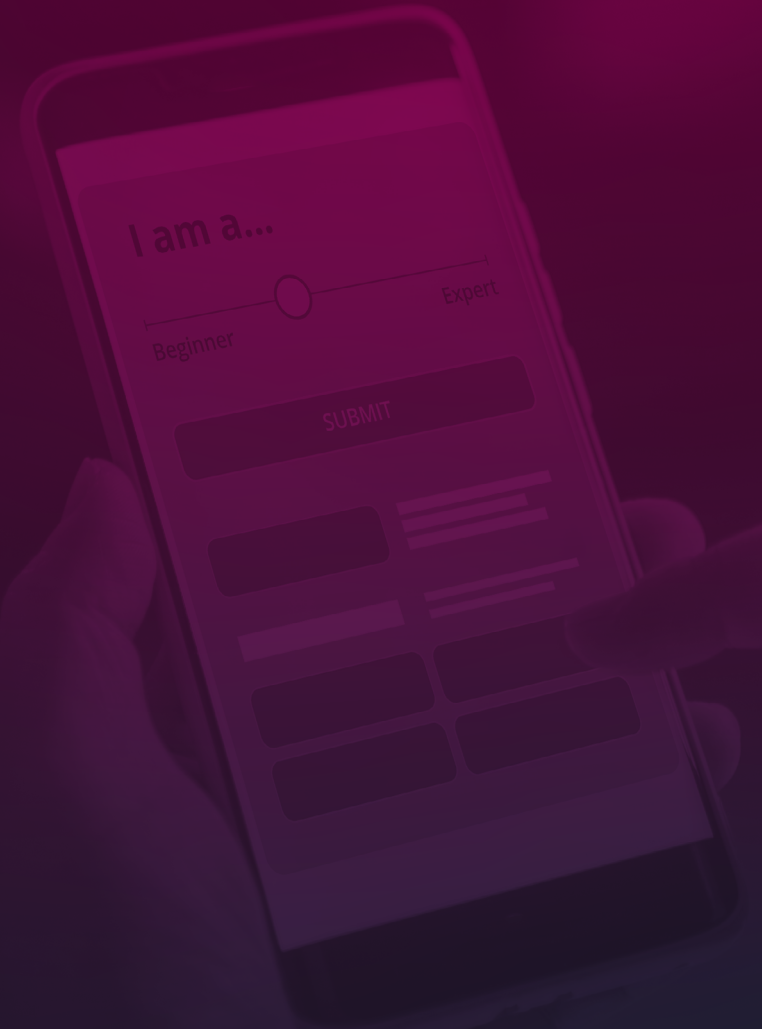
Overlooking Diversity in Cognitive Processing Means Missed Customer Engagement Opportunities

Companies collecting customer data often overlook the diversity in how individuals process information and the mental burden that some requests can impose. Every individual has a unique capacity to process information, which is contingent on factors such as their familiarity, prior experiences, and even their current mental state. What may seem straightforward to some users could be challenging to others. To address this variability, companies should adapt their data collection processes to accommodate different cognitive processing approaches.

Visual Processing Models

To ensure effectiveness in data collection, presenting requests in a visually appealing manner that resonates with users is crucial. This approach not only enhances comprehension but also solidifies it in a user's memory, fostering a greater willingness to share information.

Request Segmentation

Companies can alleviate cognitive load by breaking down data collection requests into smaller, more manageable portions. Rather than presenting users with overwhelming, lengthy forms and numerous fields all at once, a step-by-step approach enhances the user experience and increases efficiency.

Step 1/3

Guided Progress Tracking

An effective strategy for managing the cognitive load of requests involves using progress indicators to inform users of their completion status. This reduces the uncertainty and anxiety of how long something may take. Users are more likely to complete a task when they have a clear understanding of the required time and effort.

Data Collection Gamification

Integrating elements of games, competition, and achievement can fundamentally shape a user's experience. By harnessing well-established psychological principles, including visual reward systems and acknowledgment of accomplishments, companies can incorporate information requests that users not only find engaging but also fun. For instance, providing users with badges, points, or other incentives as they complete data-sharing tasks can instill a sense of accomplishment, motivating users to willingly participate.

Understanding information processing in data collection represents unchartered territory for many companies. By embracing these approaches, companies can not only enhance the user experience but also improve the quality and quantity of the data collected.

Principle in Action

Gamified Reward Systems Influence Users

A global beauty and cosmetic brand takes our approach to go beyond traditional one-time loyalty sign-ups by implementing a dynamic gamified reward system. This innovative strategy encouraged users to earn points, progressively unlocking more valuable rewards. This gamified journey not only engaged customers but also fostered long-term commitment and loyalty, building excitement for repeat interactions. As customers dove deeper into the gamified experience, their participation increased, yielding more data for the brand. This approach effectively deepened the brand's insight into customer preferences and behaviors, enhancing both customer experience and business intelligence.

*Zion & Zion e-commerce study, 2024, n=409

63%
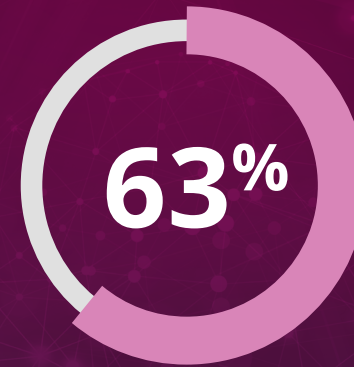
63% of online shoppers reported that they are more willing to participate in surveys and share personal information when ecommerce sites incorporate gamified experiences into their data collection methods*

64%
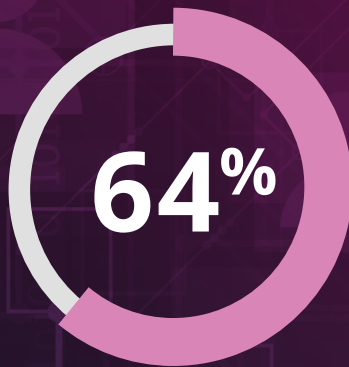
64% of online shoppers are more likely
to share detailed personal information
with a brand they have had multiple
positive interactions with*

Neglecting to Nurture Loyalty Forfeits Valuable Data

The willingness of users to share information is closely tied to
their connection to a brand. A common misconception is that
once a customer becomes a repeat customer, their data is now
easily accessible. However, even loyal customers need ongoing
engagement and perceived value to maintain their willingness to
share personal information.

Customer loyalty is a dynamic and evolving relationship. Consider
the journey of a loyal customer from the initial engagement to
repeat interactions. During the early stages, customers likely
display caution sharing only basic information. Companies might
mistakenly assume that they possess comprehensive data from
these customers based on the initial interactions. However, as
customer preferences, needs and expectations evolve, so must a
company's strategies to keep them engaged and willing to share
information. A customer's continued loyalty doesn't mean a
company can become complacent, it signals the need for constant
innovation and new engagement strategies.

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Principle in Action

Enhancing Customer Profiles by Capitalizing on Brand Loyalty

For a distinguished retailer in the fashion industry, we identified a unique opportunity to harness the principles of commitment and loyalty to enrich customer profiles. Our approach involved a dynamic, multi-step profile strategy that evolved with the user's relationship with the brand. Initially, to ease new users into engagement, we implemented a simplified profile setup. This minimized entry barriers, fostering initial interaction. Then, following their first purchase, we guided customers to expand their profiles with more detailed information, such as specific size preferences (shoe and clothing sizes) and style interests, including favorite brands and influencers. This tailored strategy not only deepens the retailer's understanding of its customers but also progressively nurtures customer commitment and loyalty, enhancing long-term engagement and personalized experiences.

*Zion & Zion e-commerce study, 2024, n=409

60%
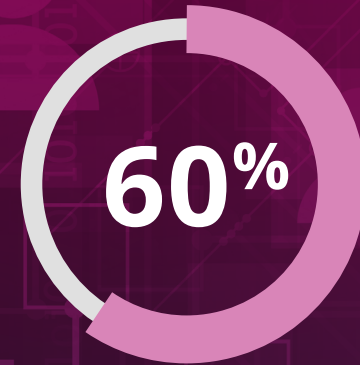
60% of online shoppers indicated brand familiarity alone increased their willingness to provide more detailed personal information*

Put Your Zero-Party Data Collection Strategy to the Test

Reflecting on the ZPD-6 Framework we've explored, it's likely worth reevaluating the effectiveness of your current approach to ZPD collection. These dimensions are not mere tactics, but foundational elements for a robust data collection strategy that transcends basic concerns of data accuracy and volume. As the data collection landscape continues to evolve, it's necessary to continue to adapt your approach to meet the evolving needs and expectations of your customers. Are you truly harnessing the full potential of zero-party data collection opportunities? Are you fully leveraging the benefits of a structured approach?

By assessing your current data collection approach based on these dimensions, you can uncover opportunities for improvement. Integrating these dimensions is imperative to maintain a data strategy that is relevant, powerful and consistently aligned with your customers' growing and evolving needs.