

Whitepaper

# The Ultimate Composable CDP Buyers Guide



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# Preface

Over the last couple of years, the MarTech world has changed drastically. Customers are increasingly demanding and expecting more personalized experiences, and business teams are realizing that in order to power more sophisticated use cases, they need access to more data.

For years, traditional Customer Data Platforms (CDPs) have been the go-to solution, helping companies collect, store, and activate their data. However, with the new privacy regulations, the increased unreliability of third-party cookies, and the rise of data platforms like Snowflake, Databricks, and BigQuery, it's more important than ever for companies to compliantly leverage all of their first-party data and take full advantage of their existing data infrastructure.

These trends have led to the development of a new architecture, the "Composable CDP," which assembles CDP capabilities around your cloud data warehouse. Composable CDPs have become mainstream solutions in the market, largely due to Hightouch for pioneering the concept.



Pure-play CDP providers are now building warehouse-native features to compete against Composable vendors, and Composable CDP solutions like Hightouch, GrowthLoop, and others now offer many of the traditional capabilities of a standard CDP. Even marketing clouds like Adobe and Salesforce are racing to build Composable features. With all this evolution and confusion in the marketplace, the question is:

How do you differ between Traditional CDPs and Composable CDPs, and what factors do you need to consider when evaluating solutions? How do you determine whether a traditional CDP or a Composable CDP is right for you?

## How to Choose a CDP?

There's no such thing as a one-size-fits-all technology, and there's no such thing as an easy technology implementation. There are no free rides; the bill always comes due. The best technology is the one that uniquely solves the specific data challenges that you're facing. Your decision to purchase or implement a new technology should always be directly linked to your existing technology stack, use cases, and the outcomes you need to drive.

## If you're evaluating CDPs, here are a few important factors to consider

<p><b>Use Cases</b></p> 	<p>What use cases are you trying to solve? What is the main outcome you must achieve (e.g., LTV, loyalty, retention, conversions, sales, engagement, etc.)?</p>
<p><b>Existing Architecture &amp; Data Maturity</b></p> 	<p>Does the CDP integrate with your current technologies and processes? Does it support the necessary integrations in your tech stack? Are there architectural requirements or specific data exfiltration considerations?</p>
<p><b>Event Collection</b></p> 	<p>Will the event collection capabilities scale across your business to support multi-brand, multi-site offerings in a standardized way? What events do you need to collect to power your downstream use cases?</p>
<p><b>Identity Resolution</b></p> 	<p>Your identity resolution matching algorithm should be specific to your use case, and you may need to employ multiple tactics to achieve the desired results. Does your CDP provider offer support for both deterministic and probabilistic matching? Do you want your identity graph to live in your CDP or your data warehouse?</p>
<p><b>Measurement</b></p> 	<p>Most CDP providers lack strong out-of-the-box measurement capabilities, so you need to consider how you will measure your CDP's success. Some companies quantify value by looking at time saved for data activation, and others measure CDP-enabled campaigns against a specific KPI. The point is that you need a plan and measurement strategy to track the value of your CDP provider.</p>
<p><b>Total Cost of Ownership</b></p> 	<p>What is the total cost of ownership of the entire solution, and how are you going to quantify that investment to management?</p>

The CDP space is incredibly saturated. You should not even consider evaluating vendors until you have a crystal clear framework and understanding of your current technology stack and your use cases. This will help you narrow down your focus on solutions and technologies that actually make sense for your business.

Here at Actable, our team is comprised of MarTech experts who've spent years purchasing and implementing CDPs for a wide range of use cases, so we wanted to share some insight into how you should be thinking about CDP projects.

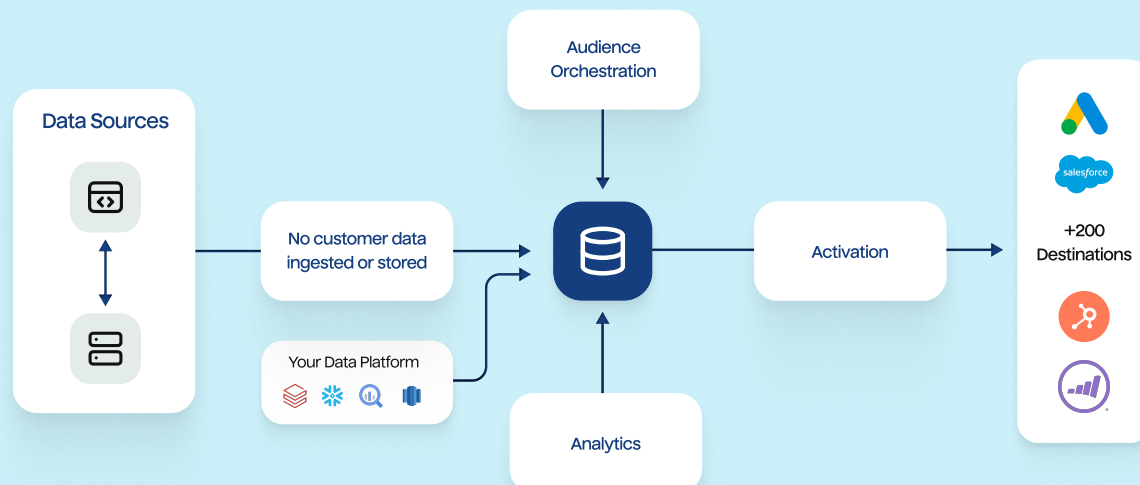
Now... back to the Composable CDP conversation.

# What is a Composable CDP?

A Composable CDP provides many or most of the same outcomes as a traditional CDP, but rather than operating as a packaged solution, a Composable CDP collects, models, and activates customer data directly from your owned infrastructure.

## The Modern CDP is Composable

1. **You own the data** - your data platform is the only storage layer
2. **You own the schema** - no limitations on how your data is modeled
3. **Interoperable** - choose any tool for each component of the CDP
4. **Unbundled pricing** - each component can be purchased independently



The key difference here is that you assemble individual components around your data warehouse (or data lake) instead of buying packaged software, which may contain features that you have already solved for. This approach has the advantage that you can more easily solve use cases immediately and drive business value without locking yourself into a difficult-to-implement, all-in-one platform that's separate from your data infrastructure.

Another core advantage of this architectural approach is that data storage only lives in your warehouse, which means you can leverage any and all of your customer data—not just the data made available in your CDP provider. Rather than acting as separate pieces of technology, Composable CDP solutions seamlessly integrate with your existing technology stack and provide an interface for your marketing teams to build audiences, orchestrate journeys, and measure performance across channels—all while allowing your data team to maintain strict governance over the data in your warehouse.

## Here are some of the benefits of the Composable CDP

**1**

### **They're infrastructure agnostic**

A Composable CDP can run on any data stack without ever storing a separate copy of your data

**2**

### **They work with whatever data structure your company needs**

The Composable CDP can work with any custom entities that matter to your organization, such as users, accounts, products, pets, insurance policies, or anything else. In contrast, traditional CDPs typically only work with user and event data. Traditional CDP providers have responded with reverse ETL capabilities to complement their CDP, but we have seen clients struggle to adopt this hybrid approach.

**3**

### **They're modular and interoperable**

Keeping your core data in your warehouse avoids dependence on any one vendor.

**4**

### **They're unbundled**

Composable CDP features and capabilities are not dependent upon each other, and you only have to pay for the capabilities you need. Imagine being able to swap ID resolution providers, event collection tools, data enrichment providers, and more—without being stuck with a single provider.

## Why Are Companies Adopting Composable CDPs?

The thing that made traditional CDPs so popular was the fact that they provided a single solution companies could use to collect and activate data across channels. Today, regardless of industry, basically every vendor in the CDP space is rapidly building out warehouse-native features for this exact reason: Companies have flexibility, which means leveraging the rich customer data that lives in their data warehouse.

## In our experience here at Actable, clients usually choose Composable CDPs for the following reasons:

### Data Ownership

Traditional CDPs conflict with data platforms and force data teams to manage and maintain two separate systems. While not perfect, the data warehouse always has the most complete customer data.

### Flexibility

Traditional CDPs have preconceived notions and rigid data models to define how your data must be modeled and structured, and they're often limited to a strict user/account object hierarchy

### Time-to-Value

Traditional CDP implementations can take upwards of six months, and that's not even accounting for onboarding time. Composable CDPs allow you to use your data in its current state so you can drive and deliver business value immediately.

### Cost

While it's not an "apples-to-apples" comparison, the architecture of a Composable CDP is value and outcome-oriented. For example, Composable CDP solutions like Hightouch, GrowthLoop, and others sell individual CDP capabilities like event tracking, audience building, activation, journeys, analytics, etc., that you can implement alongside your warehouse. Traditional CDPs force you to purchase a software bundle even if you don't necessarily need all of the components.

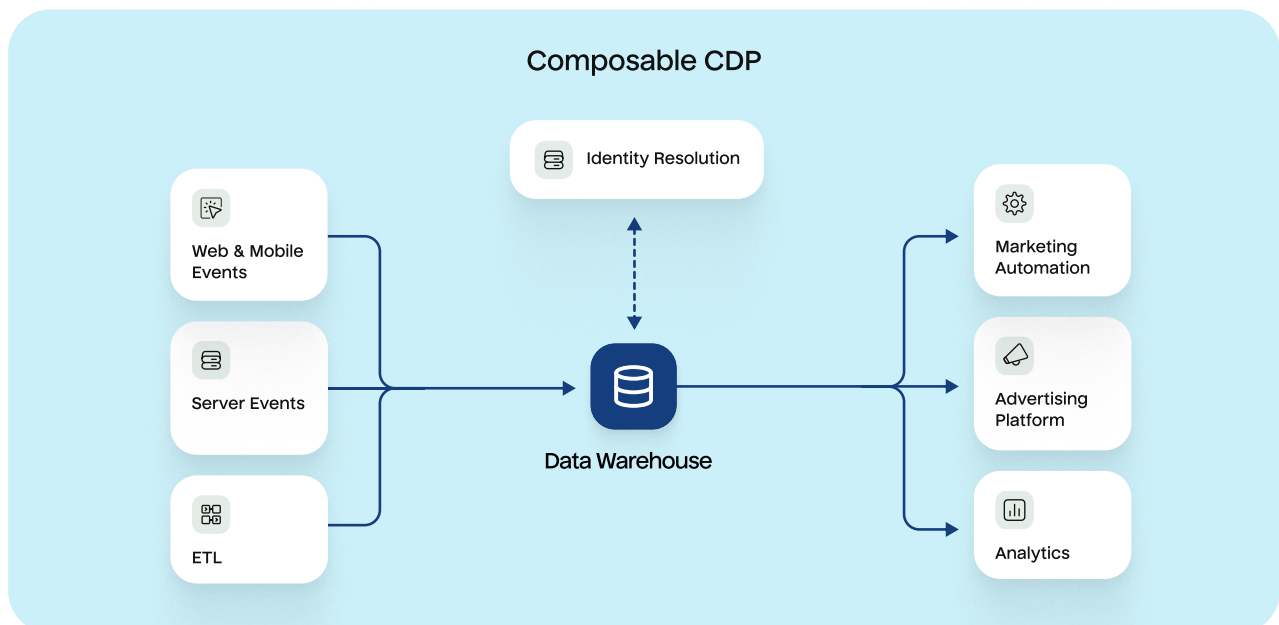
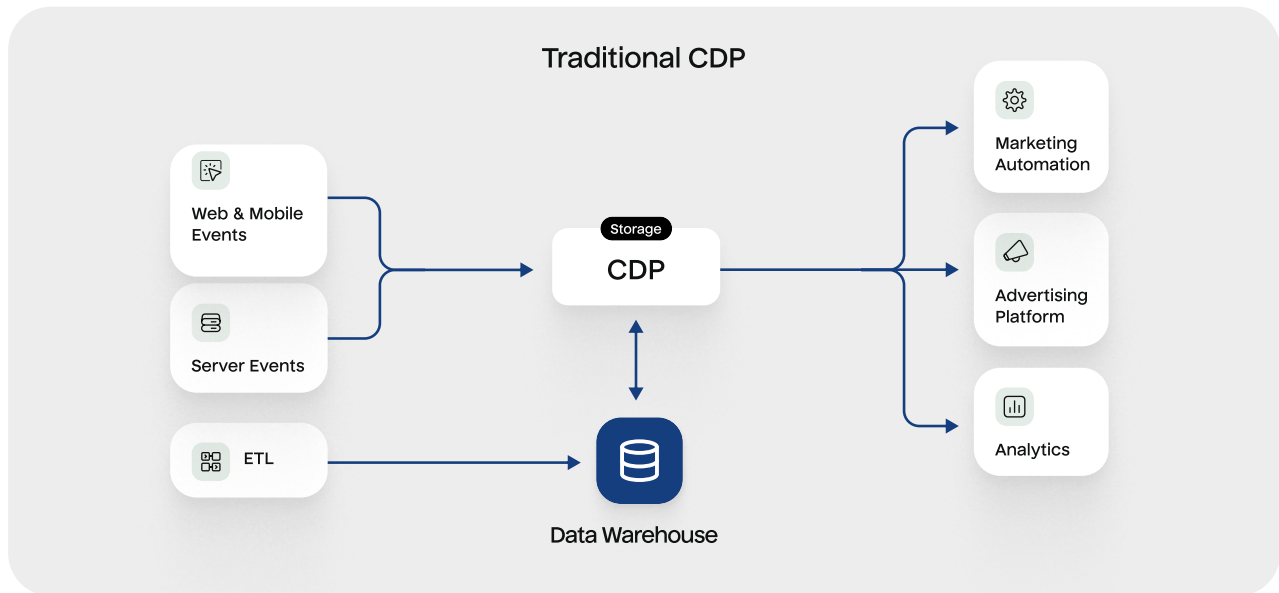
## On the flip side of this spectrum, we also hear concerns about the Composable architecture:

- The data in my warehouse isn't usable (or: "I don't have a data warehouse")
- Data warehouses aren't marketer-friendly
- Implementation is too difficult
- Composable CDPs require too many vendors
- Composable CDPs don't support real-time use cases

While all of these opinions certainly have some merit, they don't necessarily disqualify a Composable CDP for your organization. There's nearly always some form of usable data in your warehouse, and you'll run into many of the same problems if you choose to implement a traditional CDP. In our experience, working across countless CDP projects, implementing a Composable CDP is far easier and faster, and you don't actually need multiple vendors. Composable CDP solutions like Hightouch now have many of the same (and some incremental) capabilities of traditional CDPs, but the unbundled nature of the solutions means you can purchase capabilities individually as your use cases scale (e.g., event collection, identity resolution, audience management, activation, etc.)

# Traditional CDPs vs. Composable CDPs

Architecture is cool, but what about capabilities? Do Composable CDPs actually provide all the bells and whistles that traditional CDPs provide? Here's a quick breakdown of the various capabilities of each architecture.





Functionality	Traditional CDP	Composable CDP
Event Collection	SDK that collects & loads events into your CDP	SDK that collects events into your data warehouse
Identity Resolution	Unify only the customer data that lives in your CDP	Unify any & all of the customer or entity data in your warehouse
Identity Graph	Owned & managed by the CDP vendor, possibly supplemented by a client-provided ID schema	Owned & maintained by you in your existing infrastructure
Schema	Usually limited to basic objects like users & accounts	Supports any custom entity or object (e.g., households, playlists, etc.)
Audience Management	Build audience cohorts by grouping users or accounts into segments	Build audience cohorts by grouping users, accounts, or any related model into segments
Storage	Data is stored & duplicated outside of your infrastructure in your CDP provider	Data is stored in your existing cloud infrastructure
Data Activation	CDP to destination	Warehouse to destination
Implementation	3-6 months on average	Much faster, but is dependent upon the data you have available in your warehouse
Proof of Concept Testing	Not available with most CDP vendors	Possible with many composable CDP providers
Cost	Bundled: full platform fee plus MTU billing	Unbundled: individually priced features (pay only for what you need)
Security & Compliance	Data lives outside of your cloud infrastructure (can be configured to be GDPR, CCPA, & HIPAA compliant)	Data lives in your infrastructure (can be configured to be GDPR, CCPA, & HIPAA compliant)

# Getting Started

The CDP space is incredibly saturated. You should not even consider evaluating vendors until you have a crystal clear framework and understanding of your current technology stack and your use cases so you can narrow your focus toward solutions that align with your business.

Specialists like Actable can help. With our extensive experience in purchasing and implementing CDPs, our team of MarTech experts can address complex cases across a wide range of industries. The most important component of any CDP evaluation or implementation is linking your technology to real business value and actual outcomes that move the needle in a tangible and measurable way.

**1**

## CDP Readiness Workshop

Actable experts will audit your current tools, data infrastructure, and use cases, provide a readout against comparable companies we've worked with, and make recommendations for your unique requirements.

**2**

## Composable CDP Starter Pack

Actable will deliver a Proof of Concept Composable CDP using its accelerators for Customer 101, identity resolution, and ML models to activate against predictive audiences. The PoC will measure a key business metric to demonstrate improved results

**3**

## AI Readiness Workshop

Actable will interview users across marketing, product, engineering, and analytics teams to identify key use case gaps. This information will then be used to measure the impact and difficulty of each use case to create a roadmap where cloud-driven AI, both generative and predictive, can guide future use case advancements.

**4**

## Vendor Evaluation

Considering a new CDP? Actable has a time-tested evaluation methodology to map the above against specific RFP requirements and scoring.

