Preference Management

Eric Holtzclaw and Eric Tejeda
PossibleNOW

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Introduction:

To remain competitive, businesses must continually look for better ways to engage with customers and prospects. Now that we are in the digital age and the era of big data, the opportunities grow exponentially for better customer engagement. Of course, so do the odds that a business crosses the line between relevant communications and being unsettling or invasive.

Consumers want to be in control of the conversation with a business. Unsolicited offers sent by mail, email, text message or phone call might be welcome. Or, these offers could be viewed as not relevant or communicated via a channel that is deemed as disruptive. For instance, a consumer might want to hear about offers for carpet cleaning, but a text message that they essentially must pay for might be considered unwelcome. The same goes for a phone call that interrupts dinner.

Instead of putting the consumer in control of the conversation, the business is dictating how they will communicate. Businesses that go this route face the risk of opt-outs and unsubscribes. Instead of enhancing customer engagement, they find closed communication channels and the inability market to these consumers.

That's where preference management comes into play in the era of big data. Technology has enabled organizations to predict a consumer's behavior by collecting data on previous purchases or what consumers have viewed on a web site. However, unless a company specifically asks for a consumer's particular product or service interests or their desired form of communication, they are not enabling the consumer to control the conversation, the communication method and frequency of engagement.

Preference Management (or enterprise preference management) is the term used to describe the active collection, maintenance and distribution of unique consumer characteristics including product or service interest, desired communication channel and even the frequency of communication.

Combined with big data, the use of preference management gives organizations a powerful technology tool to further enhance and boost customer engagement. That's because the preferences are not derived from profile data or purchase history or what page they viewed on a web site, but were expressly stated by the consumer themselves.

Enterprise Preference Management

Enterprise Preference Management (EPM) includes but goes beyond permission-based marketing. It is also more than a preference center, which allows customers to manage the data you maintain on them. Preference centers for single channels such as email can be deployed quickly and inexpensively. For small companies that use one communication channel and if all departments share that channel, a single preference center is adequate.

The operative word in enterprise preference management is "enterprise." An enterprise has the following characteristics:

- Multiple business units, brands and/or products or services;
- Multiple communication channels including email, call centers, social media, text messages, and mobile devices;
- Multiple departments (marketing, sales, customer service, support) within the organization who communicate with customers and prospects;
- Multiple databases throughout the organization including marketing databases, marketing automation systems, CRMs, and third party vendor databases such as those of an email service provider.

An enterprise preference management solution provides the ability to do the following:

- Capture and maintain opt-ins via all customer touch points (such as web, mobile, social, email) for multiple campaigns and communications channels;
- Capture the desired frequency of communications;
- Centralize all customer and prospect preferences in one repository;
- Leverage API tools to status all databases across the enterprise with current opt-in preferences.

And unlike a preference center, enterprise preference management incorporates the ability to obtain and maintain customer permissions and preferences across the whole organization. It's ability to track, archive and report on privacy preferences also satisfies state, federal and industry requirements.

The Importance of EPM

Executives agree that Enterprise Preference Management is important. There is mounting evidence that the moment has arrived for preference management. A recent Oracle survey[1] of more than 1,300 senior executives found that 97 percent agree that customer experience is critical to success and 93 percent have made it one of their top-three priorities for the next two years.

And that's not surprising — according to Forrester[2]; consumers that engage via multiple channels spend 2 to 3 times more than average consumers. So, the Customer Life Time Value for delivering on customer preferences is significant.

Yet the Oracle Study points out that fewer than 40% have customer experience initiatives in progress and only 20% of those that do would describe them as sophisticated.

Consumers demand relevance**.**
The Forrester – 2013 Interactive Marketing Predictions study predicts that by the end of this year (2013) nearly half of online adults globally will be always addressable. This is fueled by the increased adoption and utility of tablets, smartphones, and other devices. These customers demand personalized, relevant attention, designed around their needs and wants rather than around your marketing channels.

If you don't change the way you think about engaging these customers, you will quickly lose relevance.

Government regulations require marketing compliance.
Numerous regulations govern opt-outs or privacy including Do Not Call laws, the CAN-SPAM Act and the Junk Fax Act. The latest change to the Telephone consumer Protection Act (TCPA) Report requires prior express written consent (or opt-in) for soliciting consumers via an automated telephone dialing system (ATDS) for voice, text or recording on their mobile phones effective October 16, 2013.

Canada and the European Union also have laws that require companies to obtain opt-ins before marketing to consumers. So, the regulatory environment continues to become more restrictive not less.

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[1] *"The Year of Preference Management,"* DestinationCRM, March 29, 2013
[2] Unified Communication Industry Study, Forrester Research, February 2006

Relevance

Consumer and customer preferences are relevant to organizations of all sizes (BtoB and BtoC) that want to remain relevant and engage their customers. However, small companies typically use preferences on a single channel such as email.

EPM that spans divisions, departments, brands and channels tends to be more relevant to large companies today. Early adopters include Fortune 1000 companies but many mid-size companies can leverage preferences as well.

Compliance with multiple federal, state and international regulations makes EPM relevant to a wide range of organizations. Marketers face the tedious task of complying with a myriad of state and federal "do not contact" laws. Compliance is not an option; companies who ignore these laws face the risk of significant fines, undesirable publicity and loss of consumer trust.

So, in addition to building a technology infrastructure for preference management and gaining stakeholder buy-in, marketers must also have the ability to collect, manage and archive privacy choices for state, federal and industry regulations.

Additionally, regulatory compliance is an on-going effort. Regulatory requirements change so it is essential to have an infrastructure and processes in place to stay current.

Beyond compliance, organizations profit from preference management through the increased engagement of customers and prospects, who feel more in control of the relationship and the content they receive. As such, they are more likely to read the content and less likely to opt out. This also results in less marketing waste by not sending communications to customers that don't want them.

Ultimately, better customer engagement leads to increased lifetime value of the customer, including loyalty and "share of wallet."

Best Practice

A key to driving authentic customer engagement is letting customers share ownership of the conversation based on their interests and preferences. This is not a new idea, but to achieve it requires brands to expand the collection of consumer preferences throughout all organizational customer touch points such as websites, call centers, email campaigns, mobile devices and social media. In doing so, the

following best practices and impact they have on development should be considered;

- Preference centers should be optimized to collect just the right amount of data. For example, "customer typing" should be leveraged to present only the relevant options to a customer (e.g. don't offer Canadian customers services that are only available in the U.S.).
- Don't overwhelm consumers with too many questions or they will abandon the process. Rather, ask questions that are pertinent to what they are doing at the time. Then progressively add to that information over time.
- Optimize the preference centers for the platform through which you will be collecting the preferences. For example, preference centers for mobile devices should be developed for mobile devices and should only ask a few questions.

Siloed data & technology challenges
Legacy systems and fragmented customer data remain key obstacles to advanced customer experience initiatives. Not surprisingly, EPM must span across all departments, business units, brands and third-party vendors in order to truly impact customer experience.

The Preference Management system must integrate with marketing databases, CRM systems and third-party vendors in order to empower organizations with preference data that can be used to improve campaign results, increase sales revenue and improve customer loyalty with the added bonus of satisfying ever increasing privacy requirements.

When organizations can't effectively share or collectively interpret full-spectrum customer data, they can't implement customer experience programming with confidence.

Ensuring that every customer touch point can both collect preferences and act upon stated preferences, provides the customer with the desired engagement across the organization. Preference data is unique in that it is one of the few pieces of data provided directly by the consumer. It can be used as lens to unlock and better use data that has been collected by other systems and via other means. Organizations should build their preference management solution with the goal in mind of how they will want to report and use the preference data after they are able to collect it centrally and share it across the enterprise.

A unified view of preferences across the organization allows it to interpret preferences correctly, honor preferences consistently and reduce risk by maintaining compliance. Field agents, call center reps, or checkout clerks that have preferences available to them via system lookup capabilities can quickly look up preferences before contacting a customer, which ensures that they honor existing preferences. They call also ask for additional preferences or changes to existing preferences and update the system in real-time.

Gaining executive buy-in
Because enterprise preference management affects each department or business unit differently, you must educate all of the stakeholders including marketing, IT, legal, and customer service. They need to understand the importance of this initiative and the benefits it will offer.

Speak directly to the objectives and concerns of each department:
- Marketing wants to improve campaign results and life time value of the customer;
- Customer Service wants to improve satisfaction scores and decrease support costs;
- Legal wants to be in compliance in order to minimize risk;
- IT wants to be on time and on budget.

Giving Consumers the Choice
According to Forrester Research, more than three-quarters (77 percent) of consumers say companies should let them decide how they can be contacted[3]. *The shoppers not only found the personalized offers useful but 34% made a purchase based on those recommendations.*

By offering opt-in marketing, IBM showed an 80% increase in sales, a 75% decrease in marketing waste, and a 6-point increase in customer satisfaction. [4]

The average conversion rate for opt-in marketing and advertising stands at 25.15%: considerably higher

Fortune 500 Software Case Study Overview. Stemming Opt-Outs

Background
- Multiple business units (BtoC, BtoB)
- Irrelevant emails created global opt-outs
- Global opt-out policy prevented marketing any product post opt-out

Objectives
- Stem the tide of opt-outs
- Preserve the ability to continue to market -based on interest to customers

Solution
- Deployed an opt-down pilot
- Converted 60% of opt-outs to targeted opt-ins
- Extrapolated enterprise wide equates to 200-250K opt-out saves

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[3] Source: Forrester Research: Marketers: Stop the Abuse! Adopt Preference Management. July 22, 2009
[4] *Opting In*, The Magazine of Direct Marketing Management, By Ernan Roman and Scott Hornstein

than the rate for mobile display ads (in the low single digits), more than twenty times the response rate for direct marketing (1.38%) and very much higher than web advertising (where a response rate of 0.08% is considered a successful campaign response rate).

According to a study by MyBuys, an e-tailing group, 40% of respondents stated that they buy more from retailers that personalize their shopping experience across channels. Additionally:

- 41% buy more from retailers that send them personalized emails
- 39% buy more from retailers that personalize Web recommendations.

The study noted that the practice of tailoring offers and promotions to consumers based on their past shopping or browsing experiences appears to increase buyer readiness, engagement, and sales activity. These findings are reinforced by sales data from MyBuys' database of some 250 million shoppers: Customer-centric marketing delivers a 25% increase in total online sales and a 300% improvement in customer lifetime value, according to the company.

<u>Best Practice Checklist</u>

1. Compare building an in-house solution with third-party providers who have expertise in designing and implementing enterprise preference management solutions. EPM providers think about preference management every day from all perspectives; customer engagement, privacy, technology.
2. Ensure your systems are designed to house and archive customer preference data.
3. Centralize your preference data.
4. Ensure your system is designed to easily setup new programs
5. Develop an API toolset to share data across the organization
6. Develop configurable reports so that you can see trends
7. Develop validation and alert process to ensure that processes are run correctly
8. Ensure that your preference architecture is configurable
9. Develop robust user management and security
10. Develop a dynamic compliance rules engine
11. Ensure that you have a defendable position if a regulatory compliance mistake is made
12. Take a phased approach: A project of this magnitude can be overwhelming. Start with a pilot such as a business unit or a brand or a customer segment

that has a high potential of success. Consider starting with one of your own programs and track and measure your success.

13. Set success metrics: Success metrics are unique to each organization. It is important that you set measurable goals so that you know how to reach them and when the goals have been met.

> Here are some examples of goals:
> - Deploy a Preference Center by the end of year and within budget
> - Decrease opt-out rates by 40% within 6 months
> - Gain 30,000 opt-ins within 6 months
> - Increase customer satisfaction by 2% points by end of year
> - Generate $500,000 in additional revenue from existing customers in 12 months

14. Report your results to the management team: Demonstrating a successfully deployed solution along with favorable results can help build enthusiasm for the next phase. Each phase should be easier than the prior phase because of the experience that you have gained.

The Costs

Third party SaaS solutions typically have implementation and ongoing monthly fees based on preference volumes. You should compare the cost of outsourcing with the cost of building an in-house solution.

If you build an in-house solution, keep in mind that enterprise preference management is not a one-time project; it is an ongoing activity. You must ask yourself if you have the internal resources to build and maintain an EPM solution. Initial development can take 2 to 3 years and cost millions of dollars. Ongoing tasks include collecting, managing and sharing the preferences among departments and business units, and maintaining compliance with relevant state and federal consumer privacy legislation.

The number and range of disciplines involved in defining, building and maintaining an EPM solution include, but are not limited to, the following positions:

- Marketing management
- Business operations
- Project managers
- Technical operations
- Systems architects & developers

- Business analysts
- Quality assurance

Build it for the Customer

Providing access to preferences at every consumer touch point with a brand is critical. For example, consumers should have easy access to their preference on the website, in emails, on mobile devices and when they interact with staff in call centers. Additionally, interfaces should limit the choices they have to make, for example, providing the ability to opt-out of a specific communication that is not of interest to the consumer, is an elegant and simple way to allow self-management or to opt-in to specific topics of interest and preferred communications channels.

Providing visual clues and examples with the preference management center assures the consumer understands the choice they are making when presented with a larger list of options or potential channels.

Ultimately, the organization needs to build the EPM solution from the perspective of the user – not the internal organization – to ensure it is both intuitive and simple to use. Remember to respect opt-outs and ensure that they are processed across specific channels or all channels depending on the user's preference. Let consumers determine when, how often, through what channels and what they want to receive from you, and make sure that analysts and marketers have all of the preference data for customers available in one, up-to-date place.