Preference Management

The Foundation of Effective Consumer Engagement

By Eric Tejeda, Director of Product Marketing

POSSIBLENOW™

July 2013

WHAT'S INSIDE

> "The consumer isn't a moron, she's your wife."
>
> – David Ogilvy, 1963

When advertising pioneer David Ogilvy made this now-famous remark, the relationship between companies and consumers was in the midst of a revolution. Specifically, the relationship was the revolution – the idea that serious and powerful bonds connected people and the businesses that served them.

In just a few short decades, mass media channels, industrialized production processes, disposable income and advances in transportation had changed everything. Instead of buying what they needed from what was available nearby, American consumers began purchasing what they wanted from whomever they chose. As a result, brands took shape and began speaking directly to consumers, initiating relationships and competing for sales.

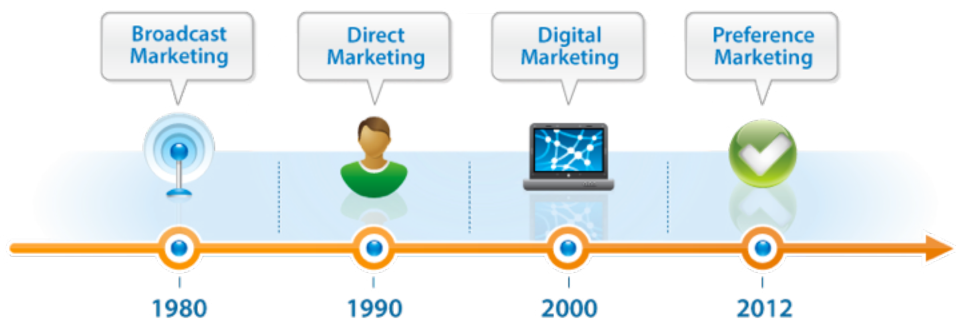
What Ogilvy could not have known in 1963 was how fast that dynamic would keep changing. The rise of the Internet and the perpetually connected world it created changed the dynamic yet again – the relationship between consumer and company is now a true two-way conversation. No longer the passive recipients of mass market, interruption advertising, consumers demand personalized messages that are specific to their preferences, needs and desires.

In the following pages, this paper will consider the history of consumer engagement and define it in its present context. It will explore the opportunities, challenges and key considerations facing any organization attempting to effectively interact with customers and prospects. Finally, it will focus on the critical first step towards effective engagement in the digital age: preference management, the active collection, maintenance and distribution of unique consumer characteristics, such as product interest, communication channel preference and frequency of communication.

A Brief History of Consumer Engagement

Over the course of the 19th Century, the steady rise of industry and the formulation of a market economy (fueled by wage labor instead of the traditional system of apprenticeship) as well as the establishment of national banking standards created a sound, firm base for modern, capitalist economics. From an increasingly industrialized and urbanized landscape, the concept of modern advertising – direct messages from brand to consumer – emerged in American society.

Advertising and the nascent brand identities it created grew as transportation, production methods and access to capital were combining to produce the first definition of consumerism. To date, consumer engagement (such as it was) existed in the form of simple, static advertising messages on signs or leaflets and physical patronage of a store or marketplace. Interactions occurred, preferences were stated and some form of relationship took place. But that relationship existed inside the strong boundaries of geography, availability and value.



As true national consumer markets grew and solidified, a new dynamic emerged: a competition of ideas instead of mere availability. And this competition was most evident in the fast-growing mass communication channels of the era. By 1922[i], radio advertising was reaching large, geographically disparate audiences with compelling messages. Television advertising soon followed and the golden age of one-way, interruption advertising had begun. Consumer engagement had evolved into an active competition for brand recognition, affinity, loyalty and evangelism. But it had yet to become a true conversation between company and consumer.

Unrelenting (and ever-faster) technological innovation soon democratized media and shattered the one-way communication model. The rise of the Internet in the 1990s[ii], coupled with micro-processing power that brought it (and voice, and video, and photography and everything else) into the palm of the consumer's hand created a landscape where companies spoke to consumers and consumers held the power to reply. Now fully liberated from the trappings of geography and availability, consumers demand personalization and recognition of unique preferences.

As consumers gained a voice in the engagement paradigm, marketers and advertisers were quickly forced to recognize the new reality. Two key themes converged to initiate this landmark change: brand-side efforts to capture a customer's expectations, preferences and aversions through Voice of the Customer methodology and a powerful consumer-side backlash to behavior tracking, interruption advertising and unwanted communications in the form of phone calls, spam and direct mail.

> "Permission doesn't have to be a one-way broadcast medium. The Internet means you can treat different people differently, and it demands that you figure out how to let your permission base choose what they hear and in what format."
>
> – Seth Godin

The result?

Marketing guru Seth Godin dubbed it "permission marketing," the privilege (not the right) of delivering anticipated, personal and relevant messages to people who actually want to get them. According to Godin, brands needed to recognize the new power of the best consumers to ignore marketing and realize that treating people with respect is the best way to earn their attention.

Fast-forward to today and the opportunity to risk ratio on consumer engagement looms even larger. In their 2013 US Consumer Confidence Index, TRUSTe found that 89 percent of adults worry about their privacy online, 43 percent do not trust businesses with their personal information, and 89 percent avoid doing business with companies that do not take steps to protect their privacy.[iii] Even the most tech-savvy customers are skeptical. According to a study by Cisco, three-fourths of generation Y consumers don't trust marketers to use their data in a way that doesn't compromise privacy.[iv]

At the same time, consumers are rewarding companies that engage them responsibly and deliver personalized experiences. According to Forrester Research, more than 75 percent of consumers say companies should let them decide how they can be contacted.[v]

Moreover, 45 percent of global consumers are willing to share personal information with brands in exchange for relevant ads, according to research from IPG Mediabrands and Microsoft.[vi]

Ignoring the self-reported preferences of prospects and customers leads to enormous missed opportunity costs while misusing or abusing that information is even worse. In order to remain competitive, marketers must implement smart processes for the collection, maintenance and distribution of consumer information. Enter "preference management," a relatively new addition to the marketing lexicon and the logical extension of Voice of the Customer methodology and permission marketing insights.

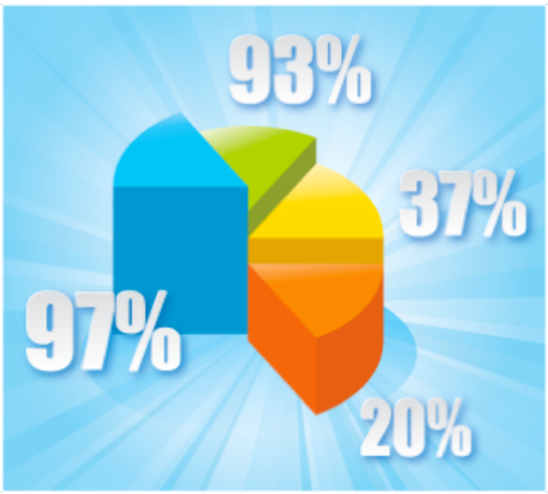
Companies must be able to listen to consumers and learn from what they say. The key to that process is preference management – the active collection, maintenance and distribution of unique consumer characteristics, such as product interest, communication channel preference and frequency of communication.

> "Capturing, managing, and understanding the breadth of what customers say can ignite the customer's influence across the enterprise — giving you a competitive advantage."
>
> – Dave Frankland
> Forrester Research

These preferences are not derived by profile data, purchase history or where they are on a website; rather, they are expressly stated by the consumer themselves. In other words, preference management means giving customers and prospects the ability to conveniently communicate with a company, recording the information in a central location and acting on what they say.

Preference Management

We now live in an opt-in world full of perpetually connected consumers who expect to be understood as individuals and whose behavior blurs the lines between sales, marketing, support and service. Not surprisingly, companies are pivoting quickly to embrace the future of customer engagement by delivering superior customer experiences.



A recent Oracle survey 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 a top-three priority over the next two years. Yet fewer than 40 percent have customer experience initiatives in progress and just 20 percent of those that do would describe them as sophisticated.[vii]

Why? Respondents pointed to siloed systems and fragmented customer data as one of the primary obstacles to advanced customer experience initiatives. When organizations can't effectively share or collectively interpret full-spectrum customer data, they can't implement customer experience programming with confidence.

The more complex the organization, the bigger the role that preference management plays. Preference management is about building and enhancing customer engagement: letting the customer control the relationship by choosing the desired communication channels, the products or services of interest, and even the frequency of contact. It's also about personalization and one-to-one communications that are relevant to the recipient. Although organizations may have CRMs, marketing automation and campaign management systems, chances are that none of these provide a complete, unified view of a customer's preferences.

At its inception, preference management typically represents a "crossover" initiative — one that begins as a marketing project, gains traction through IT and finds great application in customer service and support. Moreover, in its aim to unify the company's view of a consumer and make information available through a central repository, an effective preference management program acts as a silo breaker inside companies, encouraging a holistic view of customer interaction.

An effective 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
- Maintain customer and prospect data in compliance with quickly-evolving privacy rules and regulations

Build or Buy?

For many organizations, the conversation has shifted from whether or not to implement preference management to how it might be accomplished. Simply put, they must decide whether to build a solution in-house or engage a third-party specialist to address their needs. It's a complicated but necessary question that should include each of the considerations listed here:

Consideration	In-house	Outsourced
Subject matter expertise	What resources do you have in-house?	EPM providers think about preference management every day from all perspectives; customer engagement, privacy, technology
Are resources available? **Is there a risk that they will be pulled off the project?**	If you have in-house resources, are you willing and able to commit them to this project on an ongoing basis?	Resources are standing by!
When do you need it deployed?	Design, development and deployment can take 2 to 3 years. Have you created a timeline for this project?	Typical deployments take 1 to 2 months
Can you absorb the expense?	Large up front capital expense of \$3 to \$5 million is not uncommon. Have you estimated the cost of your project?	Typical implementation fees are relatively small since the solution is built out.
Are your systems designed to house and archive customer preference data?	CRMs, Marketing Automation, Marketing Databases – No	Preference Management - Yes
Can you centralize your preference data?	?	Yes
Can it be designed to easily setup new programs?	?	Yes
Can you develop an API toolset to share data across the organization?	?	Yes
Can you develop configurable reports?	?	Yes
Can you develop validation and alert process?	?	Yes
Can you develop comprehensive data collection and delivery?	?	Yes

Critical features and functions of a preference management solution include:

- Preference management should be a central repository connected to all departments, units, regions and appropriate applications. Effective engagement is all about listening to and learning from your audience. If information isn't easily available across the enterprise, customers will be lost through repetition, contradiction and frustration with a business that doesn't seem to remember what they want.

- Preference collection should take place across the full spectrum of prospect and customer interactions. Enterprise-level businesses engage in complex interactions that often feature an expanding set of personal and virtual interactions. It's essential to collect and react to information from all touchpoints such as call centers, social media and mobile devices, not just the easy or inexpensive ones e.g. email or websites.

- Preference data should be made available through existing applications to streamline access. Ideally, a preference data should be made available inside sales applications, support systems and marketing databases so your team can use the best and most appropriate tools for the interaction at hand. An outside application that requires secondary research or recording slows productivity and leads to cross-discipline confusion.

- Preference management processes should be flexible enough to incorporate new applications, transition to new CRM systems and integrate with a variety of data sources and activities. If your preference management strategy is inextricably tied to (or built as part of) a specific application, it will only be as useful as the life of that application or CRM system. It's a time-bomb approach that creates an even more painful transition when the time for a transition inevitably arrives.

- Preference collection, maintenance and distribution should be tailored to your unique business rules and circumstances, not pre-set features and outputs. In order to truly own and capitalize on engagement, preference management must align with your unique structure, needs and sensitivities. A solution that limits your collection points or predetermines how and when information is shared can shift overall strategy and conflict with overall aims and benchmarks.

Implementation obstacles to consider:

- Regulatory compliance requirements: 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.

- 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.

- Organizational priorities: 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 enterprise preference management 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.

Conclusion

Any serious conversation about consumer engagement in the digital age must begin with the acknowledgement that the one-way, interruption-based model of the past is gone forever. Technological advances have opened doors that cannot be shut, regardless of a company's strategy, thought process or level of preparedness.

Simply put, it means that interaction is inevitable but engagement is optional. Consumers are talking to businesses (and to each other about businesses) without the need for anyone's permission or invitation. They have unique preferences and are attempting to make the businesses they interact with aware of them. The only question for modern marketers is whether or not they have the ability to listen to consumers, join the conversation, learn from the ideas and feedback they hear and in doing so, earn loyalty and engagement.

The key to driving engagement in the modern era is letting the consumers themselves share ownership of the conversation based on their interests and preferences. It's the natural continuation of the narrative that began when consumers were first liberated from the limitations of geography and basic availability of nearby vendors. Later, empowered by technology that globalized markets and broke down the barriers to direct communication, consumers demanded a voice in an engagement-based model that rewards responsiveness and personalization.

Obviously, this is easier said than done. But preference management is a tangible project that any organization can address under the broader umbrella of customer experience. It's a critical but achievable first step, a do-able initiative that often galvanizes support for broader efforts down the road.

In order to compete, brands must consolidate the collection, management and reporting of consumer preferences from across the enterprise into a central system. This system should integrate with marketing databases and CRM systems in order to provide organizations with their customers' and prospects' legal contact status and marketing and account servicing preferences. Empowered by preference data, companies can improve campaign results, increase sales revenue and improve customer loyalty while satisfying privacy requirements at the same time.

Make no mistake — the conversation is taking place regardless.

The only question is how businesses will react. Some are already embracing the new engagement paradigm and setting a new standard for customer service. It begins with preference management – the latest chapter in the story of engagement and the necessary foundation for listening to and learning from consumers.

Endnotes

i http://www.npr.org/2012/08/29/160265990/first-radio-commercial-hit-airwaves-90-years-ago

ii http://www.internetsociety.org/internet/what-internet/history-internet/brief-history-internet#Commercialization

iii http://www.truste.com/us-consumer-confidence-index-2013/

iv http://www.marketwire.com/press-release/self-service-shopping-grows-in-popularity-according-to-cisco-study-nasdaq-csco-1798388.htm

v http://www.forrester.com/Marketers+Stop+The+Abuse+Adopt+Preference+Management/fulltext/-/E-RES53621

vi http://www.mandmglobal.com/news/19-06-13/consumers-willing-to-share-data-in-exchange-f.aspx

vii http://www.oracle.com/us/corporate/features/cx-survey/index.html

About PossibleNOW

PossibleNOW, headquartered near Atlanta, Georgia, is the trusted source for enterprise preference management and compliance solutions. PossibleNOW leverages its expertise in information technology, database management, customer engagement, and consumer privacy and regulatory compliance to provide SaaS-based applications.

PossibleNOW's MyPreferences® is an enterprise preference management solution that effectively collects and manages the contact preferences of customers and prospects including servicing, privacy, and marketing (opt-in and opt-out) across all marketing channels and makes the preference data actionable. MyPreferences can be integrated into existing applications such as CRMs, marketing databases and email databases.

For more information, call (800) 585-4888 or (770) 255-1020

or

e-mail info@possiblenow.com

or

visit www.possiblenow.com or www.mypreferences.com.