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ZERO-PARTY DATA ROI
IMPROVED ENGAGEMENT MATURITY

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We empower the individual's voice, so trust is built, and relationships are enriched.

The Growing Demand for Experience

Customers are quickly increasing their level of sophistication in their understanding and use of technology. At the same time, they are having experiences with brands and companies across the buying cycle from acquisition to retention that set high expectations for how all brands should be interacting with them.

While most companies focus much of their sales and marketing spend around the acquisition of new customers, existing customers are the source of most sales, bringing a heightened importance to customer lifecycle management.

In fact, Marketing Metrics has found that the probability of selling to an existing customer is 60 – 70 percent while the probability of selling to a new prospect is only 5-20 percent[1].Studies show that the higher a company's customer experience score and sharper its focus on the customer relationship, the more likely it is to build loyalty.

Forrester Research consistently reports a very high correlation between customer experience scores and the likelihood that a customer will purchase again from the company and recommend the company's products or services to their friends[2]. These satisfied customers are also much less likely to switch to a competitor's product.

These same leaders see results that impact their organization overall. Customer experience leaders outstrip both the S&P 500 and customer experience laggards. The companies that focused on customer experience during the 2008 economic downturn — Whole Foods, Starbucks, Trader Joe's and Zappos, for example — continued to grow and prosper. The same trend emerged even during the 2020 COVID-19 pandemic. Customer service-oriented companies continued to thrive, while those that lacked a focus on providing a quality customer experience struggled.

Even during the disruption of the COVID-19 pandemic in 2020, Sitel Group found that 38 percent of consumers will pay more for a product or service for a superior customer experience, and 73 percent of consumers are prepared to sever ties with a brand after a single poor experience.

With this in mind, this paper introduces a new methodology designed to assess a company's customer relationship maturity level — the degree to which the experience offered by a company engenders engagement and loyalty in its customer base.

The rubric aims to reveal how well a given company leverages customer data to interact with customers in ways that build loyalty and earn long-term relationships.

The measurement highlights the critical gap most companies face with traditional, acquisition-driven programs. They fall short on engagement and in so doing, miss out on the transformational sales patterns driving today's marketplace. With the appropriate strategies and measurement tools in place, companies can harness the power of customer data to move engagement strategies forward and offer better, more cost-effective marketing programs.

Customers Want to Hear From Companies

There is a growing expectation and desire from consumers to hear from the companies they choose to buy from and work with.

Edelman's Brandshare Report[3] is the largest-ever consumer marketing study and an exploration of the evolving relationship between people and brands (companies). The study evaluated 212 companies, consisting of 11,000 customer interviews across eight countries.

The Brandshare report found that an overwhelming majority (90 percent) of people across the globe want marketers to more effectively share their brand story. Yet on average, only 17 percent of customers think any given brand does it well.

A deeper evaluation of this study shows where brands are missing the mark:

- **Companies must change their marketing ethos and involve consumers in every part of the brand-development process, rather than just at the end.**
  This insight comes from the finding that a shared product, one in which the customer feels they had a hand in the design and development, has one of the greatest effects on purchase decisions, with 91 percent of respondents indicating a desire for this shared approach.

- **Companies should create a singular narrative that engages people in the full brand story.**
  The Brandshare study found that shared values are the most in-demand form of sharing. More than 90 percent of respondents want to do business with brands that share their beliefs. Although companies effectively communicate their values and history to a broad range of stakeholders, the study showed this is not often the case when it comes to consumers.

These first two points are all about the messages being delivered by the company and are completely controlled on the company side of the equation.

It's in the deeper findings of the report that the expectation of brands to establish a two-way dialogue is evident. As trust is established, customers gain confidence to share personal information and insights about themselves, which positions the brand to deliver relevant, high-value, personalized experiences.

Customer Relationships Must be Compliant

This requires a completely new approach to how companies engage with their customers and is a mandate to integrate sharing across all channels, redesign communities to actively listen and respond to customers' questions, ideas, insights, opinions, and needs.

When companies fail to listen to customers about their wishes for permission and consent, the government is stepping in to protect the customer.

For example, regulations such as the GDPR requires marketers to give strong consideration to obtaining (and maintaining) strict permissions in order to communicate with any citizen of the EU. Central to these regulations are high standards for consent and fines as great as 20 million euros or four percent of total worldwide annual revenue, whichever is larger for the GDPR.

The GDPR, CASL, Brazil's Lei Geral de Proteção de Dados (LGPD), and other regulations represent a global shift toward permission-based marketing that is broad, sweeping, and irreversible.

To some, enhanced consumer protection rules are a bad thing that will hamper marketing efforts and lead to increased overhead, liability and hassle. To others, it is merely further confirmation of a broad and positive trend towards opt-in relationships between companies and consumers.

Customer Relationship Management

Research confirms that relationship marketing informed by consumer insights and preferences is exponentially more effective than the spray-and-pray model of the interruption marketing past. With that in mind, companies that have used regulatory changes as an opportunity to pivot towards interactive models of customer data management and persistent consent have not only enhanced risk mitigation but also increased marketing ROI.

For more than a decade, companies have followed an approach coined "TERM", which stands for Technology Enabled Relationship Management. TERM is the concept of forming one enterprise-wide view of the customer across all customer engagement opportunities. Marketers have fully embraced using technology as the way to create and maintain such relationships.

The proof of this move towards TERM can be found very simply by looking at the marketing technology landscape in recent years. Scott Brinker from Chief Marketing Technologist blog[4] has released an astonishing graphic that shows how quickly the marketing technology landscape has evolved.

Since the Martech space began in 2011, we have seen exponential growth, and that growth hasn't abated. As recently as 2017, there were 5380 companies, and in 2020, that number swelled to 8000 companies. This represents a 15 percent compound annual growth rate. Like the big bang theory, the technologies and companies involved are expanding over and over again.

The result of all of this technology is business units, operational groups and even individual marketing managers with a burning need are introducing new technologies to the enterprise at an alarming rate. The view of the customer becomes foggy because each system knows something – but not everything – about the customer. These individual systems rarely provide the customer with an opportunity to participate in the conversation. And if the system allows participation, it doesn't share the information they gain about the customer effectively across the enterprise.

This results in an inside-out view of the customer. The customer sees the company as one entity while the company sees the customer through their individual lenses and engages with the customer in that way. This lack of relationship maturity causes much of the frustration uncovered in the Edelman Brandshare study referenced previously — a customer that feels like they are not part of a two-way dialogue.

Data-Informed Relationships

With the current land grab for big data, there is a belief by many that the mere collection of data will provide the insights companies need to inform and support better customer relationships. This is simply not the case without including information gained directly from the customer, both through observed research, an in-person understanding of the customer, and by collecting the customer's stated insights, opinions, feedback, and preferences.

In order to provide customers with true relationship efforts and authentic engagement, companies must move beyond TERM, which relies heavily on technology to make decisions about what to send and to whom, to the concept of obtaining detailed information about a customer's behavior, needs, and buying patterns (often referred to as first-party data) and enriching this collection of data with personal insights that the customer proactively and deliberately shares with a brand (referred to as zero-party data). Only then can a company use the information they have been collecting to customize the relationship, ultimately creating and supporting customer loyalty.

Customer insights become the lens by which organizations can begin to unlock and understand the data that is being collected in all of the marketing technology and supporting systems. It's the one piece of knowledge that comes directly from the customer — not guessed or determined by assumptions. Zero-party data narrows the collection to the right data, not just all data.

The following pyramid represents both the levels of potential relationship with the customer from Company Centric at the bottom to Customer Centric at the top. Most companies fall at the bottom of this pyramid because they are relying too heavily on big data and technology to inform the relationship with their customers.
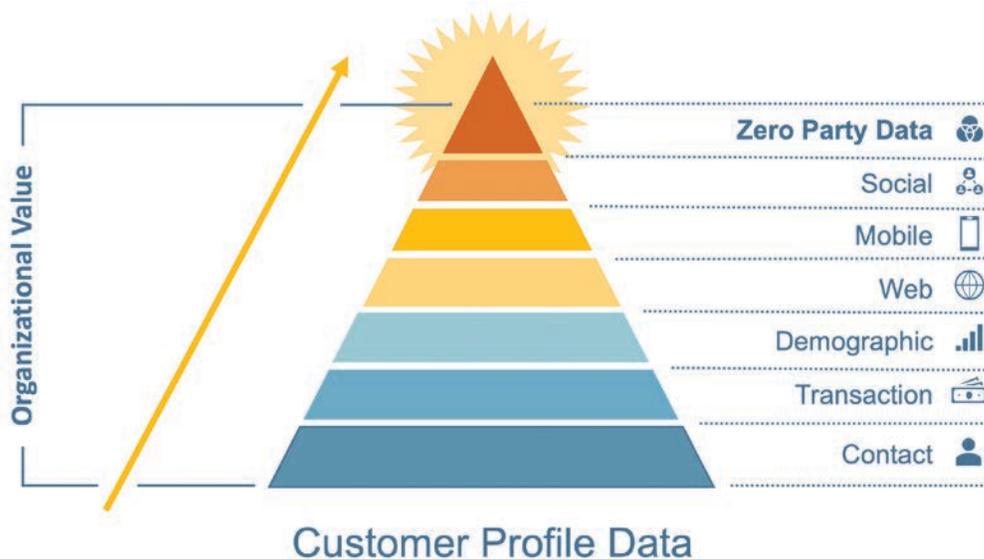
Determining Maturity Levels

Maturity Level 1: Company-Centric

Companies at maturity level 1 will have very limited knowledge of their customers — most likely "profile" based information — a gut feeling of who their customer is and what makes them buy or stay with the company. Individuals from different departments within a company-centric organization will speak anecdotally about customers without any secondary data or primary research to backup their thoughts.

Moreover, all communications to customers are monologue in nature: a newsletter that is sent out once a month to every customer and content based on the company's calendar and not the customers' needs. Every communication is expected to tie directly and immediately back to a sales event, not just as a way to create or improve engagement with the customer.

Very little information is collected about the customer at the time of "acquisition:" maybe just an email address and the content is "about the company" rather than the customer. Calls to action are limited to complete opt-ins or complete opt-outs.

A company at this level has a high level of relationship risk. They are most often a company that has not collected the appropriate levels or type of compliance language. Their list is highly susceptible to so-called "atomic opt-out" events, which is a customer choosing to never engage with the company again. Most messaging to customers is sales-based despite research suggesting that customers seek ROI, value and brand-driven conversations instead.

The majority of companies fall in this category and the path to improving their customer relationship is relatively simple. They need to implement a method that allows customers to provide their feedback and insights, and impact the relationship in a way that works for the customer.

Maturity Level 2: Reactive

A company that is reactive has some insight into their customer base through the transactions the customer performs on their system. These companies also have some limited customer information from surveys conducted by the company or from third-party research they have purchased. Data is held in siloes and the different groups don't know how (or don't want to) share the information across the organization.

Engagement has advanced to at least be separated by business unit or function (account servicing verses marketing, for example) but content is still company or calendar-centric. Each business unit or function is heavily reliant on its own preferred method of engagement and it is difficult to switch.

Because the data remains siloed, there is still a high level of risk due to compliance breaches. Customers will express frustration as they are passed across the enterprise re-explaining themselves and re-sharing information as they move from department to department.

Reactive companies face significant opt-out risk because customers are unaware of their other choices or simply abandon the relationship if a competitor does a better job of providing them with the level of service and relationship they expect. A company that is reactive will collect at least base level information about a customer for profiling and provide the most rudimentary selections around engagement that are presented at a very broad level. Making modifications or updates requires a change to the customer's overall profile and requires manual updates to multiple systems.

Implementing a simple preference or trust center, even if it only services one business unit or division, gives the customer the ability to provide insights or specify options in a more granular and useful fashion. The feedback is updated across all necessary systems and greater granularity is provided as to what the customer is choosing to opt-in or opt-out of.

Maturity Level 3: Proactive

A proactive company begins sharing customer data between systems, specifically to support the customer lifecycle. Each group or business unit may have its own primary voice of customer research, but the idea and ability to share this knowledge across the organization is limited. The Voice of the Customer (VoC) lives in only a few individuals' area of expertise and problems with customer relationship are defined by "what' is happening – not enough sales, too many support calls, etc. When the problem is defined, it is difficult to get other groups to make changes.

A proactive company will break its engagement down based on the customer lifecycle from awareness, to acquisition, to onboarding and then to retention. While this is a step in the right direction, the company assumes the customer follows a linear path and there is very little cross-promotion of other content. Research shows that customers very rarely, if ever, follow the prescribed path from awareness to acquisition as outlined by the company.

As the relationship begins to blossom under a proactive relationship, the customer expects more from the company. If a company knows a customer has bought a product, why doesn't that company know to offer other items or information that may support that product? Being somewhat responsive to the customer's needs invokes a much higher level of expectation and requirement to provide a more complete solution.

A proactive organization will have a robust customer center that attempts to bring all customer information under one common interface and allows the customer to make easy changes that populate seamlessly from one system to the next — if not in real time, at least in batch. This ease of use and ability to change information is often limited to customers, not prospects.

Unlike a simple preference center, to support this autonomous view all of the business units must work together to provide a common view into the available profile information for given customers. It allows the customer to easily define what and how they want to engage with the company — what information is truly useful to them from line of business to line of business. This approach also supports cross-promotion of other content within the company's ecosystem.This work provides a level of visibility across the organization and allows for governance of how customers are communicated with and when. A benefit of robust customer data management is adherence to compliance because of the requirement to communicate within the organization about appropriate customer outreach.

Maturity Level 4: Strategic

A company that looks at their customers more strategically understands that the customer's experience doesn't exist in silos across the organization and they look at all available data to understand the customer's journey. In other words, the company's approach to customer engagement is impacted by the behavior of the customer. Customers are categorized by discrete segments and there is a common language among business stakeholders about customers and what's important to them within the context of products or services.

The downfall is that these companies cling to the fact that they are selling a product or service and there has yet to be an understanding of the higher order reason the customer buys from the organization — the true "why" behind the buy.

This strategic approach to interacting with the customer enforces an expectation on the customer's view that the company will be "first to adopt" any new technologies or channels. Customers express greater disappointment with a strategic brand when that brand doesn't provide the services or communications channels first or better than other companies.

For a company in this situation, they have the unique and enviable ability to collect additional information from their customers in ways that fine-tune and hone the customer conversation. Collection of customer insights information can be spread to non-traditional channels.

Strategic companies offer short-term marketing campaigns and communications to support specific needs of their customers. They create VIP groupings and start to divide their customers down not just by demographics and transactions, but also by what really drives them within a given context.

The ability for a customer to to freely state what they want from a brand in exchange for their personal information gives companies greater insight into their needs, interests, behaviors, and intent – unlike first-party data which can only offer inferred insights generated from purchase history or basic facts like date of birth.

Maturity Level 5: Customer-Centric

The customer-centric organization understands that what they provide to their customer is well beyond the product or service that they sell. The customer views them as more than just a company or brand. Customer data is shared across the organization – in fact, it's not viewed as customer data. Instead, the customer decision is built into the very fabric of the company's processes and systems that support the customer.

Content is based on customer needs and goals – no two customer engagements are exactly the same.

Some risks are that these companies become very comfortable with adopting new channels and may do so before the customer is ready. They also adopt data sharing policies that may push the boundaries of the customer's comfort level.

Using a "progressive profiling" approach allows these companies to gather and utilize customer first- and zero-party data throughout the relationship. This information must be easily shared such that offline and online persons can provide an equal and expected level of service to customers no matter the channel — an anticipation of what the customer wants, including how and when they want it delivered.

Many survey and feedback strategies are built only for the benefit of the company. A customer-centric organization will collect and store survey/opinion results to both understand trends by customer and to use that information to better inform future correspondence and engagement with their customer. Taking advantage of every touchpoint with a customer is what makes a company truly customer-centric.

In order to fulfill on the promise of customer-centricity, all enterprise systems must share information about what the customer wants to hear so they engage in the right way with the right person at the right time. The problem with the existing marketing landscape is that unless you build your own or use a solution like MyPreferences, there is no incentive or business need for the individual marketing technologies to connect to one another. A third party or internally commissioned system must fulfill this role.

Conclusion

Whether a company is reactive, customer-centric, or somewhere in between, certain truths must be recognized. First, the Customer Relationship Maturity benchmark scale is merely a purposeful reflection of what is already happening the in minds of customers. In other words, customers are grading companies every day and reacting accordingly. It may not be an academic grading system with a published rubric, but the data is there and we can see it happening across the business landscape. The only variable is the extent to which a given company embraces the model and pivots towards customer-centric behaviors.

Secondly, it is possible to improve. The technology and expertise exist to address even complex, disparate enterprise systems and shift them towards more flexible and permission-based models. And while some have accepted and succeeded in the daunting task of building in-house customer data management and customer lifecycle systems, many have turned to third party experts for faster, more cost-effective solutions.

Finally, savvy companies recognize that the customer-centric movement is only speeding up. The broad trends related to empowered, always-addressable consumers and the shift towards permission-based, interactive relationships are gathering momentum and growing every day. Personal technology has un-leashed a new paradigm of engagement between company and consumer and any delay in implementing customer-centric strategies is worse than neutral. It is actively harmful and only compounds the challenges that lie ahead. Simply put, it's time to get started on the path to permission-based, customer relationship marketing.

PossibleNOW's technology, processes, and services enable relevant, trusted, and compliant interactions between businesses and the people they serve. We gain customer insights through qualitative Voice-of-Customer research to understand the expectations and emotions influencing customer behavior. We leverage that understanding when deploying MyPreferences to collect and utilize zero-party data such as customer insights, preferences, and consent across the enterprise, resulting in highly relevant and personalized experiences.
DNCSolution addresses Do Not Contact regulations such as TCPA, CAN-SPAM and CASL, allowing companies to adhere to DNC requirements, backed by our 100% compliance guarantee.

PossibleNOW's strategic consultants take a holistic approach leveraging years of experience when creating strategic roadmaps, planning technology deployments, and designing customer interfaces.

PossibleNOW is purpose-built to help large, complex organizations improve customer experiences and loyalty while mitigating compliance risk.

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