

MAKING THE CASE FOR PREFERENCE MANAGEMENT

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Establishing The Need For Preference Management

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According to a recent Accenture survey, more than 70 percent of consumers prefer to do business with brands that use personal information to make their shopping experiences more relevant¹. This should come as no surprise to anyone leading an enterprise-level company in the modern age. In survey after survey, study after study, consumers around the globe are demanding personalization, privacy and the power to control the conversation with the brands that serve them.

For many CMOs and CTOs, the challenge is not in proving or establishing the need to address privacy, personalization and increasing demands for interaction. Rather, the challenge lies in establishing the best method for achieving success.

The dilemma is further complicated by language used to define the relationship between consumer and company in the digital age. The line between customer engagement and customer experience is blurry at best, and neither priority holds a clear mandate over traditional corporate structure. Is the marketing department in charge of engagement? Is customer service in charge of experience? Is IT shared by both groups or managed according to an entirely separate structure and vision?

An Oracle survey of more than 1,300 senior executives found that 97 percent agree that “customer experience” is critical to success and 93 percent indicated it was a top-three priority over the next two years. Yet fewer than 40 percent had so-called customer experience initiatives in progress and just 20 percent of those that did described them as sophisticated².

“Businesses crave insight into the context in which consumers are using their products - and consumers want businesses to deliver contextually relevant services.”

- Fatemah Khatibloo, Forrester Research

Why? The goal is too large, too vague and involves too many moving parts. The senior executives surveyed by Oracle know they need to listen to customers and engage them in meaningful, profitable relationships. But they haven't figured out how to break customer experience or engagement down into actionable, pieces. Without a concrete plan, it becomes almost impossible to earn approval from IT, legal, investor relations or other stakeholders for many worthwhile initiatives.

The best starting point for an enterprise is preference management: the active collection, maintenance and distribution of unique consumer characteristics, such as product interest, channel preference and frequency of communication. Executed correctly, a robust preference management program can power the personalization, privacy and interactivity modern consumers demand. A preference management initiative is a tangible project with a specific action plan and set of goals to improve both experience and engagement.

The following pages will demonstrate how preference management can be defined to internal decision-makers, framed for budgeting, communicated to collaborating stakeholders and ultimately approved for action.

Defining the Benefits of Preference Management

The case for preference management is typically organized into two clear categories:

- A) strengthening compliance with privacy regulations and
- B) improving marketing ROI.

Each would present a compelling case on its own. But considered together, addressing both with one solution offers a strong, evidence and return on investment-based position from which to move an organization towards the active collection, maintenance and distribution of preferences.

Stronger compliance and privacy protection

In their 2016 US Consumer privacy research, TRUSTe/NCSA found that 92 percent of US Internet users worry about their privacy online, 44 percent have withheld personal information for fear of inappropriate use, and 89 percent avoid doing business with companies that do not take steps to protect their privacy³.

In response, regulators and legislators around the globe are moving quickly to enhance privacy protections and address widespread consumer concerns about data and identity theft, unwanted communications and behavior tracking.

For example, regulations such as the European Union's new General Data Protection Regulation (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 the regulation is a high standard for consent and fines as great as 20 million euros or four percent of total worldwide annual revenue, whichever is larger. If a company hasn't earned consent and has no means by which to gain consent, it faces the daunting decision of either losing a contact due to privacy concerns or facing significant liability.

Preference collection represents a critical opportunity to earn consent and protect the right to interact with a consumer. Moreover, appropriate storage and maintenance of such data through an active preference management program protects its legal authority when challenged.

"The typical terms of agreement that we check when we want to use the services of an Internet company invariably give the company the right to redeploy our information for their own benefit. Some companies also give consumers the right to opt-out of that information-gathering, but it is usually a process that requires some effort. A far better approach would be customers opting in instead of opting out."

- Joe Nocera, *The New York Times*

Improved marketing ROI

By reducing opt-outs and increasing opt-ins, the overall size of the marketable audience grows. With the implementation of a simple opt-down system — a component of a preference management solution accessed through an email unsubscribe link — PossibleNOW customers see an average of 60 and 90 percent fewer opt-outs.

In addition to preserving the pool of prospects, the ongoing collection of preferences reveals new opportunities will emerge that marketers can proactively leverage to their advantage. For a clothing retailer, understanding gender, product interest and channel of choice could result in a seasonal swimwear promotion via email instead of an expensive

and marginally effective one-size-fits-all brochure or catalog.

Finally, preference management allows CMOs to shift staff time and budget dollars from guesswork to fact-based decision-making. A marketing team that only has access to purchase history and customer shipping addresses trend towards broad, one-size-fits-all campaigns, often with discouraging results. Preference data gives the customer a voice in the type of communications they want to receive and empowering niche campaigns that address stated needs at timely intervals.

Presented together, the broad compliance and marketing benefits of preference management offer a compelling case for consideration. Risk mitigation has become an important part of the CMO job description and preference management addresses a number of its critical challenges. It's also the key to lasting customer engagement, real-time responsiveness and rich, marketable data that powers campaigns and delivers bottom-line results.

Framing the Decision: Build vs Buy

With the need for preference management established and its benefits defined, many organizations face a growing dilemma of awareness – is it something we must engage a third party to implement or can we build it internally? 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 to implement and maintain the system?	Resources are available & have experience implementing and maintaining preference management solutions with both feature updates & compliance requirements.
When do you need it deployed?	If you have in-house resources, are you willing and able to commit them to this project on an ongoing basis to implement and maintain the system?	Typical deployments take 3 to 6 months
Can you absorb the expense?	Large up front capital expense of \$5 to \$20 million is common. 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	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

Fostering Internal Consensus

Implementation of preference management in an enterprise environment requires a rigorous, multi-party justification process. In this respect, it mirrors a familiar pattern whereby an enterprise considers a new technology that holds the potential to impact or even transform many of its legacy processes and systems.

In the case of preference management, the dynamic is influenced by previous efforts or research into the question. Almost without exception, enterprise organizations already have certain preference management tools in place and have studied or considered its broader implications. In any case, the challenge of fostering internal consensus begins with solving certain foundational questions:

“When executives involved in a decision were primarily concerned with its effect on their business unit rather than the overall organization, financial results and all other measures of success were much likelier to fall far below expectations. Simply put, a silo mind-set hurts performance.”

- “How Companies Make Good Decisions”
McKinsey & Company Global Survey Results

What is the enterprise doing to collect, maintain and distribute preferences?

The answer may lie in sales, support, marketing, IT or all of the above. In many cases, siloed departments hold their own preference interaction models or rely on limited preference management tools via an Email Service Provider (ESP), a marketing agency or other third party. Uncover all of the different systems and processes that should be considered as part of a preference management solution by understanding what communications are being sent to what customers and why.

What does the enterprise’s leadership think it is doing to collect, maintain and distribute preferences?

The distance between perception and reality is critical in framing the larger implementation question. Confusion over terminology, departmental authority, what is included as part of preference management, how preference collection is deployed, or exposure to risk, if unforeseen by those recommending a preference management initiative, can lead to costly and unnecessary delays.

Who are the necessary partners for implementation of preference management, even on a limited scale?

With reliable information in hand on the perception and reality of existing efforts, a useful effort can be made to identify key partnerships that preference management will require in order to move forward.

Through an exploration of these foundational questions, the preference management “champion” within the organization should be prepared to introduce the topic from an actionable position.

Key steps for implementing preference management

- Identify a problem that needs to be solved or opportunity with upside potential
- Establish a project team
- Determine present state and outcome goals
- Prepare rollout plan
- Measure results
- Conduct post mortem and identify areas for improvement
- Report results to management team
- Begin phase II

Moving From Discussion To Action

Here's an all-too familiar scenario: senior leadership recognizes the need for better, more efficient customer engagement and understands that a sophisticated preference management solution is a necessary prerequisite to achieving that goal. Preference management is listed as a priority and handed to IT for a feasibility and cost study. The study reveals significant challenges and results in a gloomy report that it is prohibitively expensive, requires an unreasonable timetable or is deemed impossible given the enterprise's current infrastructure. Discouraged by the result, senior leadership shelves the initiative, only to return to it during the next budget/planning cycle.

It's an unfortunate pattern but one that can be broken. The key, in many cases, is creating a smaller goal and letting the preference management initiative prove itself prior to larger investment or broader expansion. Here are three simple preference management actions (offered in order of complexity) that can actually be proposed, piloted, budgeted and achieved quickly:

1. Offer opt-down functionality in your email marketing:

Instead of presenting customers with an all-or-nothing engagement, give them the power to tailor communications to suit their interests. Offering an opt-down option drastically reduces opt-outs and helps marketers focus messaging on topics of interest.

2. Install a website preference center:

Create an easy-to-use portal where prospects and customers can create individual profiles, select topics of interest, preferred delivery channels and pace of communications. Preference centers provide the ability for customers to maintain their preferences as their interests change over time.

3. Expand your preference collection with a limited starter program:

Preference management should be present at every interaction point between brand and customer, such as mobile, social media, in-store, contact center and more. However, these initiatives require approval from many stakeholders and can quickly become bogged down or even abandoned. Identify a specific brand or line of business to use as a starter program to prove preference management ROI and gain momentum before seeking company-wide application.

Approaching preference management as a series of actionable steps makes it easier to plan and earn organizational buy-in. The challenge of making the case for preference management in an enterprise environment can be complex and multi-faceted. In many ways, it quickly becomes a process of simplification — clear delineation of what it is, why it is important and how to begin.

Endnotes

- 1 <https://newsroom.accenture.com/news/consumers-welcome-personalized-offerings-but-businesses-are-struggling-to-deliver-finds-accenture-interactive-personalization-research.htm>
- 2 <http://www.oracle.com/us/corporate/features/cx-survey/index.html>
- 3 <https://www.trustarc.com/resources/privacy-research/nca-consumer-privacy-index-us>

About PossibleNOW

PossibleNOW leverages powerful technology and industry-leading expertise to enable companies to listen to customers, remember what they like and respond in personalized ways. Its enterprise consent, data subject access request and preference management platform, MyPreferences®, collects customer data, stores it in a central repository and makes it available to other applications across the enterprise.

PossibleNOW's professional service experts create strategic roadmaps, plan technology deployments, and design consent and preference collection interfaces to position clients for success. PossibleNOW is purpose-built to help large, complex organizations gain control over communications, mitigate compliance risk and reduce marketing expenses while improving customer experience.

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