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Implement Preference Management To Build Customer Trust

Tools And Technology: The Personal Identity And Data Management Playbook

by Fatemeh Khatibloo

October 20, 2015

Why Read This Report

Empowered customers are increasingly opting out of irrelevant and undesired marketing communications. Preference management is a powerful tool that lets customer insights (CI) professionals combine analytical insights with explicitly shared customer needs and interests to deliver on the promise of "right place, right time, right message" communications. This report outlines the key elements and benefits of enterprise preference management, as well as the critical factors for successful implementation.

Key Takeaways

Preference Management Is Underused
Many firms have very basic, single-channel forms of "preference" already, but few use the data well.

Preference Management Is An Enterprisewide Commitment
Companies must align technology and strategy across channels and business units to implement preference management well.

Implement Preference Management Iteratively
A good preference strategy adapts over time to customers' needs and the organization's capabilities.

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Notes & Resources

Forrester interviewed nine vendor and user companies: Acxiom, Allstate, Epsilon, PossibleNow, Sacramento Municipal Utility District, Sears Holding Company, Tech-Net, UnboundID, and West Interactive.

Related Research Documents

Brief: When Customers Take Control

Marketers: Stop The Abuse! Adopt Preference Management

Q&A: The Privacy-Personalization Paradox

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Preference Management: The Most Underused CI Tool

Customer insights pros manage and analyze customer data to understand intention and interest. But few CI teams leverage the tremendous power of explicitly shared customer preferences. That's a shame, because the practice of collecting customer preferences isn't new. Call centers and email marketers have long collected preferences to ensure compliance with Do Not Call and CAN-SPAM rules.[1] More recently, some firms have extended the use of preference centers to collect simple notification options beyond what regulators require.[2] But few businesses have turned these limited use cases into enterprise preference management, which we define as:

> *The business practice of systematically collecting, managing, and utilizing explicit customer preferences — about frequency, channel, content, interests, and intent — in outbound communications. These preferences are managed in a centralized repository and collected in a user-facing portal known as a preference center.*

Implementing enterprise preference management can help you understand:

› **The type of content your customer really cares about.** For example, a pet retailer might assume that two customers with similar transaction history have similar interests. But preference management could show that one customer is dealing with a new litter of puppies at home, while the other is trying to introduce her new puppy to her elderly cat. The customers in these two situations would value very different kinds of content and offers to navigate their personal situations effectively.

› **What channels your customer prefers being communicated with, and how often.** Marketers rarely consider customer preferences when they build contact strategies — but they should.[3] Letting customers choose when to get an SMS versus when to get a phone call versus when to get an email isn't just good for customer experience. It also helps marketers optimize budgets and reduce opt-outs. Preference management can be a powerful tool for marketers using real-time interaction management.[4]

› **What your customer's intentions really are.** CI pros spend a small fortune buying third-party data and audiences in an effort to understand when consumers might be "in-market" for their products. But these inferred intentions are often flawed; instead, why not give potential buyers a chance to tell you exactly what their intentions are? An individual could indicate, for example, that she's thinking about buying a car, share the specific features she wants, and even provide her anticipated buying window.

Why Don't More Firms Leverage Enterprise Preference Management?

If enterprise preference management is such a valuable tool, why is it so rare? It turns out that, despite paying lots of lip-service to being customer-obsessed, most firms aren't ready to give customers control over the communications they receive. Plus, many firms fear the financial ramifications: Done right, preference management can create a conflict between a customer's desires and the organization's revenue requirements.[5] Firms that want to implement enterprise preference management must:

- **Commit to respecting the customer's stated preferences.** Preference management is a powerful expression of your firm's commitment to customer obsession. No other tool gives your customers meaningful control over how you communicate with them. But respecting preferences can put constraints on how your firm executes marketing programs. For example, a grocery store could let customers specify exactly how and when they want to receive grocery coupons — say, Wednesday afternoons via app-notification only — which would shrink the grocer's universe of targetable email addresses. Or a bank might let customers opt out of any offers regarding home ownership — refinances or equity offers — limiting its ability to cross-sell multiple product lines to those individuals.
- **Have the technical ability to execute against stated preferences.** One of the biggest mistakes in preference management is giving customers the perception of choice and then not respecting those choices. Firms must be able to recognize and execute a customer's stated preferences across channels and business lines. That means connecting preferences to all your campaign execution platforms and ensuring compliance within them. After all, your customer doesn't care about the return on investment (ROI) of your email program — she just wants to know that if she says "email me only once a week," you will respect that.
- **Have a strategy to encourage customer use of the preference center.** Preference management is worthless if only a small minority of customers actually use it. Firms committed to giving their customers meaningful communications choices must orchestrate a marketing campaign around their preference center — treat it like a new product launch, and optimize the campaign to maximize conversions. Eastern Mountain Sports, for example, emailed all subscribers an invitation to complete their preferences. The email explained the benefits of filling out the preference form and provided a tangible incentive: a product giveaway sweepstakes.[6]

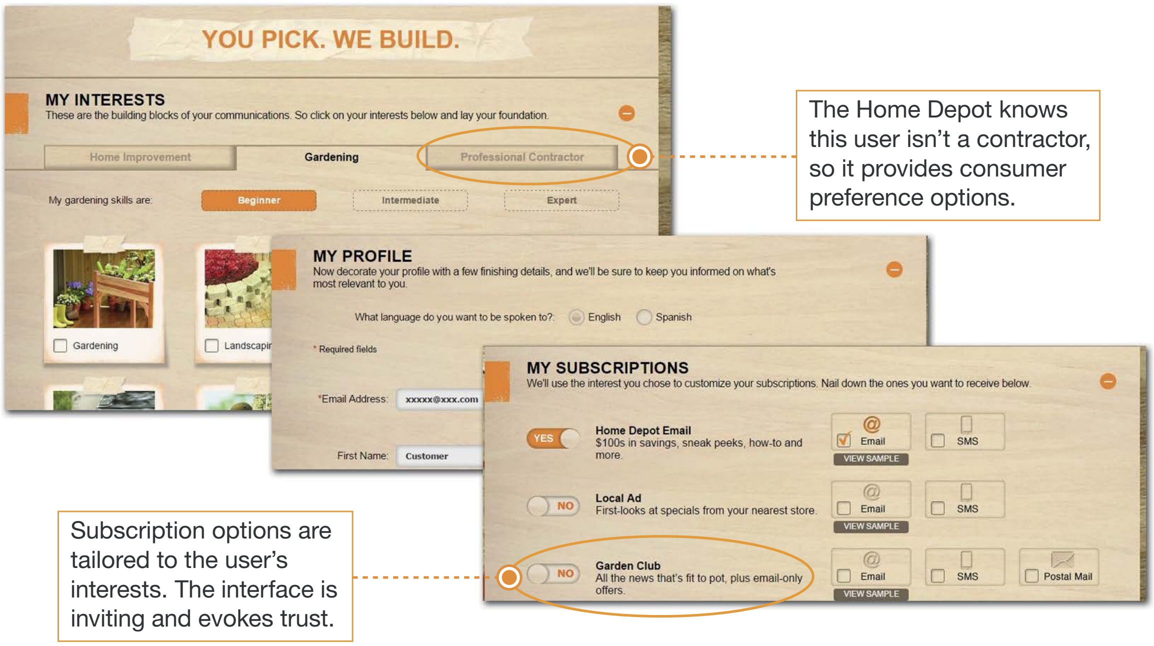
The Anatomy Of Successful Preference Management

For many firms, the buzz around big data and predictive analytics — and the promise of automating the inference of customer interests and needs — make preference management seem unnecessary. But the reality is that 1) accurate inference is tremendously difficult to do at scale, and 2) the proliferation of privacy concerns and anonymity tools makes it clear that "better inference" isn't the best path to more contextually relevant marketing.[7] That's why preference management is so crucial: It allows marketers to combine behavioral data with explicit intention and interest data. A successful preference management road map should include the following capabilities:

- **Progressive profile building.** Allstate, the insurance company, has a three-year implementation road map for preference management. When the firm initially launched its current program, it was a simple email opt-in/out profile. Since then, says senior marketing manager John Heidrich, "[we've] rolled out another version extending choices to include text messaging for some of the options listed, and created a whole user experience flow for collecting mobile [contacts]."[8] Using a phased approach, Allstate's preference center will continue to expand the depth and breadth of preferences available to customers, including more communication choices and interests.

- **Meaningful opt-in/out choices.** For years, as its email marketing program evolved, Sears Holding Company (SHC) had a one-size-fits-all approach to subscriptions. Bill Plant, the preference management champion, told us that several years ago, SHC realized that with its massive variety of brands and product categories it could offer customers better-targeted communications that they'd be less likely to opt out of.[9] Today, customers can choose from generic topics like "lawn and garden" to brand-specific content from the Craftsman line. As a result, global email opt-outs have dropped by more than half.[10]
- **Incorporation of traditional customer data.** Many brands can leverage information they already have about a customer to improve the preference experience. For example, The Home Depot tailors the preference options a customer sees based on whether the individual is a professional contractor or a general consumer (see Figure 1). This makes good sense, because the types of content and communications options presented could vary widely for these two separate demographics. One vendor, UnboundID, says that "bidirectionally synchronizing customer data into a centralized preference [center] doesn't just build richer profiles; it also delivers better scale, performance, and security."
- **Cross-channel, consistent deployment.** This proves to be the hardest requirement to execute for most marketers. PossibleNow told us that clients often start with a preference center that's designed for a single channel — say, mobile — across multiple business lines.[11] But the vendor says this is a problem because "customers that provide their preferences expect that the entire company will know those preferences, not just the [channel] they gave it to. So firms should ideally implement a centralized solution designed to store and distribute preferences regardless of where they were collected."

FIGURE 1 The Home Depot's Preference Center Is Engaging And Leverages Existing Customer Data



Source: The Home Depot website

The Right Vendor Can Make Preference Management More Successful

Until recently, most firms that set out to build enterprise cross-channel preference management were on their own. At best, they could get started with their email marketing vendor for single-channel preferences, but they would soon outgrow those capabilities. Sephora, for example, designed and internally built one of the first cross-channel preference centers nearly a decade ago, since it couldn't find a vendor with the expertise it needed.[12] But as the demand for relevance, omnichannel personalization, and a single point of customer identity has grown, so have vendor capabilities. Today, CI pros can work with a variety of vendors to design, test, build, maintain, and manage complex customer preferences. These vendors fall into two primary categories: technology providers and service providers.

Technology Providers Plug Into Existing Infrastructure But Aren't Experts At Services

Preference management software vendors tend to sit inside a client's existing technology architecture, so they are ideally suited to firms that manage and maintain their own marketing technology solutions. These platforms hold the "golden record" for each customer record, and they integrate neatly with existing campaign management solutions and data warehouses. Since the entire workflow is automated and rules-based via the technology platform, there's little risk of sending a noncompliant communication.[13] Vendors in this category include Genesys/SoundBite, PossibleNow, and UnboundID.

While some of these firms are investing in a professional services layer, their core competency continues to be in technology. Clients looking to build a sophisticated preference center may need to look elsewhere for support with services like user experience design, segmentation/capability research, and tolerance testing.

Services Providers Offer Analytics And Design But Often Sit Outside The Existing Stack

Customer engagement agencies and database marketing services providers are also a strong resource for developing enterprise preference management. These firms are leaders in customer analytics and contract strategy creation, and they can help clients optimize the use of preference data across all marketing touchpoints. Services providers tend to host the preference management solution and may already own the client's marketing database, enabling real-time synchronization between them. Vendors in this category include Acxiom, Epsilon, and Harte Hanks.

However, these firms usually integrate only with marketing platforms, and frequently not with all of them — for example, transaction update and SMS execution platforms may not be connected to the marketing database. In addition, technology management peers may steer their firms away from these vendors, preferring to store preference data internally. As a result, CI pros may find integration and buy-in from key stakeholders more challenging with a services vendor than a technology vendor.

Recommendations

Aiming For Perfection Shouldn't Hold You Back Today

It's almost impossible to implement all of our recommendations in your first iteration. Instead, CI pros should develop a preference management strategy that tackles easy projects first. Then identify a vendor that can help you get started immediately as you develop a rollout plan. Specifically:

› **Identify your preference management "quick-win" opportunity.** For example, if email subscriber attrition is an increasingly serious problem, your first step is to build a two-part opt-out mechanism like Sears did. On the other hand, if you're a consumer packaged goods (CPG) company struggling to deliver relevant content because you don't have a consumer's purchase history, start by asking site visitors what product categories they're interested in. Or if you're a firm with multiple email and SMS subscriptions, managed by a variety of execution platforms, prioritize consolidating them under a single subscription preference center page like Allstate did.

› **Identify the right type of vendor for your firm.** If your initial phase is a simple, single-channel execution, look to existing vendors to get you started. For example, your email marketing vendor can stand up a simple subscription management page quickly to get a proof of concept. Once that's done, however, identify the key stakeholders in an enterprise preference management program, and determine whether your firm 1) has a cultural preference for managing marketing technology internally; 2) has the user experience expertise — internally or with an agency partner — to design and iterate on a cross-channel, cross-brand preference center; and 3) has the analytical chops to optimize the use of preference center data across the enterprise.

› **Develop a three-year preference management road map.** It might be tempting to roll out a massive preference management initiative quickly. But unlike many marketing execution tools, this one is actually visible to your customers, and missteps can cost more than just a hit to marketing ROI. Take time to do user experience research, develop channel-specific interfaces, and ensure all your marketing execution tools are properly integrated. You must decide how you'll handle employee requests to modify preferences and how frequently you'll ask customers to update their information. Each of these steps takes time, and most require iterations, so plan accordingly and know that your vision of a sophisticated, customer-empowering preference center is most likely a few years away.

Supplemental Material

Companies Interviewed For This Report

Acxiom

Allstate

Epsilon

PossibleNow

Sacramento Municipal Utility District

Sears Holding Company

Tech-Net

UnboundID

West Interactive

Endnotes

[1] The Do Not Call Implementation Act (DNC) and the Controlling the Assault of Non-Solicited Pornography And Marketing (CAN-SPAM) are US laws enacted in the mid-1990s to limit the amount of unsolicited communications consumers were receiving. The Federal Trade Commission (FTC) bears enforcement authority over these laws.

[2] For example, some financial services firms let customers choose when to get alerts about spending limits and payment due dates.

[3] Forrester has written about enterprisewide contact strategy development. See the "Defining An Enterprisewide Customer Contact Strategy" Forrester report.

[4] Customer obsession requires marketers to rethink campaigns and instead deliver self-perpetuating cycles of insight-driven interactions. We believe that firms will assemble contextual marketing engines to realize this vision. These engines will leverage real-time interaction management (RTIM) to align inbound channels with outbound marketing and optimize customer interactions for maximum return on marketing investment. What makes RTIM different? It is far more than just effective decision management, robust content personalization, or precise offer recommendations; it is a system of engagement that helps marketers activate contextual experiences. But RTIM requires the evolution of marketing technologies as well as collaborative business processes. See the "Brief: Demystifying Real-Time Interaction Management" Forrester report.

[5] For example, an email marketing manager might use a highly promotional month-end blast to top customers to meet revenue goals. But if 10% of the firm's best customers prefer not to receive sale emails, this could have a negative effect on meeting revenue numbers.

[6] Source: "Eastern Mountain Sports improves preference center and welcome emails, boosting results," Experian Marketing Services (http://www.experian.com/marketing-services/case-studies-eastern-mountain-sports.html).

[7] Tools like Apple Pay, ad blockers, and "tracker trackers" like Ghostery make it easy for consumers to obfuscate their identity and protect themselves from being tracked by marketers.

[8] Phone interview with John Heidrich, The Allstate Corporation, on May 27, 2015.

[9] Phone interview with Bill Plant, Sears Holding Company, on June 25, 2015.

[10] Phone interview with Carl Madaffari and Jay Boltz, Epsilon, on June 12, 2015.

[11] Phone interview with Eric Holtzclaw, PossibleNow, on May 20, 2015.

[12] Sephora's preference center, which the firm calls a profile, asks about skincare and hair care concerns, brand preferences, and more. Customers reach it after logging into their account and going to "Personalized Recommendations."

[13] A few of these firms came out of the compliance business.

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