INTERPRETING PREFERENCE DATA

DEFINING AND REPORTING ON KEY PERFORMANCE METRICS

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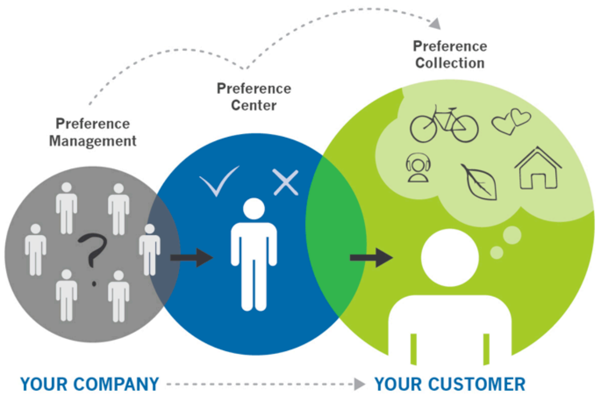
Introduction

WHAT'S INSIDE

Most of the public discourse around *preference management* — the active collection, maintenance and distribution of unique consumer characteristics, such as product interest, communication channel preference and frequency of communication — has been focused on its definition and initial implementation. This is understandable given the relative age and maturity of the marketplace, but leaves industry-leading companies in a puzzling position. Having arrived, they are not sure where to go next.

Simply put, the preference management challenge for leading companies has shifted from implementation to improvement. When implementing preference strategies, companies often have to work with assumptions regarding user experience, copy, design, placement, timing and content. Often these assumption need to be adjusted or corrected over time. In addition, evolving technologies and new communication channels constantly change the way consumers want to interact with companies and brands.



With preference tools and technologies in place, companies are positioned to test original assumptions and make evidence-based corrections.

Yet in doing so, marketers and technologists must keep several key factors in mind:

- **The various elements of preference interaction are interrelated and actively influence each other.** Poor design can defeat good content, ideal placement or timing can obscure flawed content, etc. Analysis must include the full picture of the interaction in order to capture actionable results.

- **The customer views the company as a single entity, not a collection of separate departments or services.** Analysis of customer interaction must embrace the realization that it does not follow a sequential or "start/stop" pattern limited by internal definitions.

- **The analysis and corrections applied to preference interaction will only be as sound as the business rules and methodologies that informed it in the first place.** In other words, a preference center without a specific customer interaction goal will deliver mixed results, the natural product of an unclear purpose.

Over the following pages, techniques and methodologies will be advanced in an effort to ease the transition from implementation to improvement. Understanding what preference collection and management can do for the organization helps the company make the case for improved customer relationship and helps to justify additional efforts in understanding customers by including them in the conversation.

Defining & Applying Business Rules

The rules by which data is collected, interpreted and used must be defined and consistently drive the decisions made during the implementation of any marketing technology solution, including preference management and collection. Without clear business rules in place, all data, including preference data, is vulnerable to misperception, misapplication or underutilization.

For many enterprises, the perceived challenge to preference management is the coordination of myriad legacy systems. In reality, as is often discovered during the pilot or early implementation phase, the real challenge is the establishment of consistent rules that recognize the unique needs and goals of the enterprise itself. The "what" and "why" of collecting data from customers and how that data will be used later.

Key considerations include:

Definition of terms: The first and often overlooked challenge is the foundational question of vocabulary — how to define a prospect? How to describe the progression from prospect to customer? How to define the behavior of a prospect as he or she progresses towards becoming a customer? Without clear, universal terminology to articulate the interaction, companies are left with vague results that often conflict or fail to present a cohesive whole.

Establishment of specific goals: Any effort to "increase engagement" is doomed to failure by the mere fact of its opaque mission. An undefinable destination is a goal a company will never reach. In contrast, an effort to reduce opt-outs and increase targeted opt-ins is trackable, reportable and, consequently, a project worthy of budget and personnel.

Declaration of unique value proposition: Companies offering mass-market, unrestricted consumer goods have no immediate reason to solicit a customer's age as part of the online purchase process. Yet many companies do from to a misguided sense of what should be part of a preference collection and management because it's easy to do so once the system is in place. Consider what is actually necessary or valuable to know and limit the collection, storage and liability concerns that customer data requires.

Prediction of customer lifecycle: Finally, every company seeking to interact with consumers must consider the natural cycle of that interaction. A subscription-based services company (such as a cable provider) holds a perpetual responsibility to honor communications preferences and address day-to-day needs. A company offering a periodic and significant commodity sale (such as a car dealership) must recognize the pacing and context of a relationship that peaks every two to four years.

> **"Adopting evidence-based decision making is a difficult cultural shift: work processes must be redefined, data must be scrubbed, and business rules must be established to guide people in their work. The good news is that once companies have made the cultural change, they usually don't go back, and their operating improvements are not easily replicated by competitors."**
>
> – Jeanne W. Ross, Cynthia M. Beath and Anne Quaadgras, *Harvard Business Review*

Defining and documenting the business rules a company follows helps identify gaps and overlaps in communication outreach with their customers. To secure strategic funding, justify your preference management initiative and understand the impact preference management and collection is having to your organization overall, it is essential to identify goals and set measurable targets to maximize your company's return on investment and to prepare for reporting.

Without this planning in place, your organization will struggle with justifying the expenditure on a preference management solution and the project may only make marginal progress in truly impacting the overall customer experience.

Defining Meaningful Metrics – Hard KPIs

There are five key and measurable reasons that companies adopt preference management and these KPIs are the ultimate driver for implementation and continued focus on the collection of preferences and preference management. While companies want to focus on covering all of the drivers, there will be one primary driver that originally sparked the decision to pursue preference management as an initiative.

These KPIs fall into one of the following categories:

KPI #1 - Preventing loss of customers:

These companies seek to deploy effective opt-down, cross-opt strategies to avoid an "atomic opt-out" (customers unsubscribing from all communications from a company). The atomic opt-out can be the result of customer choice, or may be caused by business rules established by the company that are too rigorous in the application of an opt-out across the company's lines of business.

When considering this KPI, companies must move beyond only looking at the positive side of marketing campaigns – how many sales or conversions resulted. In order to do this successfully, a company must document and understand current customer touchpoints and associated metrics (time spent in a flow, overall conversion, abandonment). This documentation will involve reviewing internally managed marketing initiatives and understanding all 3rd parties involved. Often, atomic opt-outs are caused by a 3rd party action, not by the primary organization.

Minimizing the initial preference management proof of concept with one channel or business unit allows a company to show early wins and KPI reporting as part of the implementation will create consensus for the next project and encourage additional spend on the deploying the preference management solution across the organization.

KPI #2 - Reducing costs:

Now more than ever, marketers are required to optimize the money they are spending on their marketing budget. The allocation of that marketing spend can be based on communication preferences. The input received directly from the customer helps marketers eliminate ineffective campaigns and identify those campaigns that require improvement.

Since much of the marketing spend is done with third parties, it is important within this metric to understand current customer touchpoints and determine the cost for sending communications across different channels. Preference collection can be placed within more expensive communication channels to encourage cross-opt from one channel to the next. For example, if direct mail of statements is a more expensive channel than e-delivery, use the current mode to encourage, and incent, customers to switch. It is important to consider the dynamic management of compliance language to assure consent and to keep the company free from potential litigation and government scrutiny, especially as communications are switched to more governed modes.

Justifying the investment on a preference management solution under this KPI is easily achieved through the ability to report how many customers have moved from one channel to the next. It is also wise to use pilot programs for this KPI when measuring interest in one communication channel over another.

KPI #3 - Boosting revenues:

Companies that rely solely on their own internal understanding of the customer and their wants and needs often miss the mark. The best way to improve upon knowledge of the customer and to improve the analysis of the "big data" being collected on customers is to simply ask them what communications they want to hear about and across what channels. Done correctly, preference collection fine-tunes the marketing approach. Using surveying as part of the process to better understand the customer dramatically improve response rates and better fulfill customer's desires for personalized communications.

To undertake an initiative focused on improving revenues, companies must identify locations for adding additional preference collection. Moreover, strategies to re-engage opted-out customers should be considered, such as targeted digital ad campaigns.

In order to understand the true impact of preference management and collection within these organizations, existing metrics regarding abandonment, conversion, time spent on site must be collected as a baseline and compared over time. One campaign or message will rarely result in a specific measurable boost in revenue. Understanding the complete complement of communications over time helps a company identify both gaps and successes in pursuit of improving the lifetime value of the customer.

External messaging must be simplified and take into account the customer's true drivers for interacting with the company/brand. Gaining this understanding requires a combination of surveys and primary research. Ultimately, the evaluation will identify missing opportunities for content and engagement. Companies that utilize communication channels for account updates can benefit by promoting additional content that engages customers beyond a specific transaction.

Reporting against this metric as part of the implementation helps to create consensus for new customer-centric projects and informs a content calendar for the creation of new content to support existing efforts.

KPI #4 - Centralize preference collection and availability:

The purposeful implementation of a neutral preference management solution with centralized governance has a great potential to drastically reduce overall IT complexity, as well as associated cost. For organizations that wish to centralize marketing communications, preference collection and management is a logical first step that results in greater control and cross organization visibility.

For optimum success with this driver, companies must create a baseline understanding of current customer touchpoints. This includes all groups that are internally managing customer communications and must include any external vendors that are acting on behalf of the company. Documenting existing business rules around campaign and communication approval identifies gaps in the process and provides a way to take actionable steps for correction.

Often companies identify issues in the frequency of communications and a need to create a consolidated content calendar across the organization. The impact of this centralization can be justify through a proof of concept that includes a few business units or marketing groups that share customer lists and communications modes.

Success from this deployment allows for the creation of roadshow content to build internal consensus and advocate the need for governance across the rest of the organization.

KPI #5 - Mitigate compliance risks:

Most companies that suffer from issues with compliance do so because they do not have proper processes and focus on compliance across the organization. They are storing customer data and customer preference in systems that are hard to access. Focusing on building in better compliance processes give companies peace of mind and allow them to approach more progressive communication policies.

Justification of spend on the effort is easily made when taking into account possible fines, loss of time for defending claims and protection against litigious consumers and consumer groups.

Defining Meaningful Metrics – Soft KPIs

In an increasingly complex marketing ecosystem, performance measurement needs to focus on the lifecycle of the customer and how likely customers are willing to engage with your brand. "Customer Interaction" metrics focus on retention rather than conversion and need to be shared across teams and life-cycle stages.

Because these metrics gauge perception, they are more difficult to quantify and will require agreement across the organization as to the appropriate inputs to track in order to both baseline the initial state and measure the success delivered by a purposeful engagement strategy.

Examples:

- Customer perception of your brand
- Perceived customer experience
- Customer satisfaction
- Customer loyalty
- Customer lifetime value
- Customer ROI (rather than Campaign ROI)

Determining a way to baseline current state and then relying on an industry accepted standard allows a company to measure process.

Having established a baseline, companies are then able to examine the data point that really matters: the trend line. Does customer loyalty soften over time or even plunge as with increased exposure to product support? Is the overall tone of social media mentions positive, negative or neutral?

With preference management tools in place, tracking soft KPIs becomes much easier. Customers will select useful or timely communications and opt out of ill-conceived campaigns. In the short term, the data will empower marketers to course correct, reducing churn and improving marketing efficiency. Over the long term, that data will represent an actionable sample size from which to make large-scale marketing decisions.

Conclusion

In order to maximize the potential of a preference management initiative, a company must first determine business goals and objectives and identify key performance matrices. Without starting with this end in mind, the ability to produce useful reports that point to a tangible ROI will be difficult to create.

With this in mind, the challenge for many companies lies in the need to identify and apply their own unique rules and measurements. Without a superimposed or "industry standard" framework, they languish under traditional marketing models that track visits, impressions, conversions and other de-contexualized behavioral data.

In reality, companies must determine for themselves

A) what terms to use in exploring these topics,

B) what business rules should govern communications flow and determine successful outcomes, and

C) what data points actually matter for appropriate personalization and interaction with the customer.

With these in hand — or even incremental progress towards them — companies can effectively leverage preference data as part of broader engagement initiatives.

Ultimately, improving the preference management process is a question of listening to the broader themes behind individual choices. Respecting a single customer's wishes by never sending them marketing messages via text is smart business that could potentially save that relationship. Analyzing an accumulation of such preferences and shifting the entire marketing matrix to make text messages an opt-in only function represents an organizational course-correction. It could save thousands of customer relationships and meaningfully impact the entire company's bottom line.

The obvious essential component is the ability to collect and act upon preferences. Without it, companies fail on short-term experience and long-term strategic direction. With it, they improve experience and hold the potential for transformational growth through customer loyalty.

About PossibleNOW

PossibleNOW leverages powerful technology and industry-leading expertise to enable companies to listen to customers, remember what they like and dislike and respond in useful, personalized ways. It's enterprise preference management platform, MyPreferences®, collects customer and prospect preferences, stores them safely and makes them available to any other system or application in the enterprise. PossibleNOW strategic services experts identify opportunities, plan technology deployments, design preference collection interfaces and position clients for a win. PossibleNOW is purpose-built to help large, complex organizations gain control over communications, mitigate compliance risk and reduce marketing expenses while improving customer experience and loyalty.

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