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The Anatomy Of A Preference Center

Enterprise Preference Management Gives Consumers Control For Better Customer Engagement

by Fatemeh Khatibloo and Stephanie Liu
December 20, 2018

Why Read This Report

B2C marketers focus on personalization as a means of delivering better experiences. Enterprise preference management (EPM) can play a key role in this strategy: In a value exchange, customers share more data about themselves, their interests, and marketing preferences that marketers can then use to send relevant messages. This report provides best practices for building a customer-friendly preference center and EPM strategy that engages and retains customers.

Key Takeaways

Preference Centers Must Be Customer-Obsessed And Connected To Data Strategies
Companies must take a customer-first approach to developing their EPM strategy. The preference center must be user friendly and provide value in exchange for customers' data. It must also tie back to a broader customer data strategy and systems of engagement so that customers' preferences drive personalization for a positive experience.

Start With A Small Preference Center And Scale Up
Email subscription centers provide a starting point for customer engagement, but brands should experiment with asking for more information over the course of a customer relationship via progressive profiling. Keep in mind the brand must be able to personalize or deliver some sort of benefit to the consumer based on the data he shares or risk driving customers to opt out.

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Preference Management Solves The Privacy-Personalization Paradox

Modern marketing can feel like a tightrope act: Deliver personalized and relevant messaging without overstepping into creepiness. Personalization remains a priority for B2C marketers: 59% of global B2C marketing decision makers are increasing spend on content and personalization technology this year.[1] But consumers have mixed feelings: While 36% of US online adults think retailers should do more to offer more personalized experiences, 46% worry they could see ads that are *too* personalized.[2] We call this the privacy-personalization paradox.[3]

Preference Centers Foster Customer Relationships And Trust

To find the sweet spot of relevant but not creepy messaging, marketers need an EPM strategy that prioritizes a user-friendly, omnichannel preference center. Forrester defines enterprise preference management as:

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

Preference centers are crucial for giving customers some control over their relationship with a brand — they can dictate what messaging they'd like to receive, how often, and on what topics. And it's a two-way street. "A preference center also gives marketers the ability to pull levers in the right direction to better serve the customer," explains Adrian Nash, vice president of product for SAP Customer Data Cloud. By giving customers a portal where they can volunteer this information, brands can also reduce reliance on buying third-party data. Urvashi Pitre, president of CRM agency Tasseologic, asks, "You're willing to pay for names; why not pay for a preference center?"

> Without a preference center, all your customers can do is unsubscribe.

Preference Best Practices Have Three Key Components

A good EPM program must deliver value to the customer, integrate with crucial marketing tools, and be user friendly. In other words, it needs a good heart, spine, and skin. Rent the Runway, for example, built a preference center that delivers value to shoppers across their journey, from searching for a dress to reading reviews to renting a dress (heart). It delivers this value by connecting its preference center to key web and content delivery systems (spine), and packages preferences in an easy-to-use format (skin) (see Figure 1).

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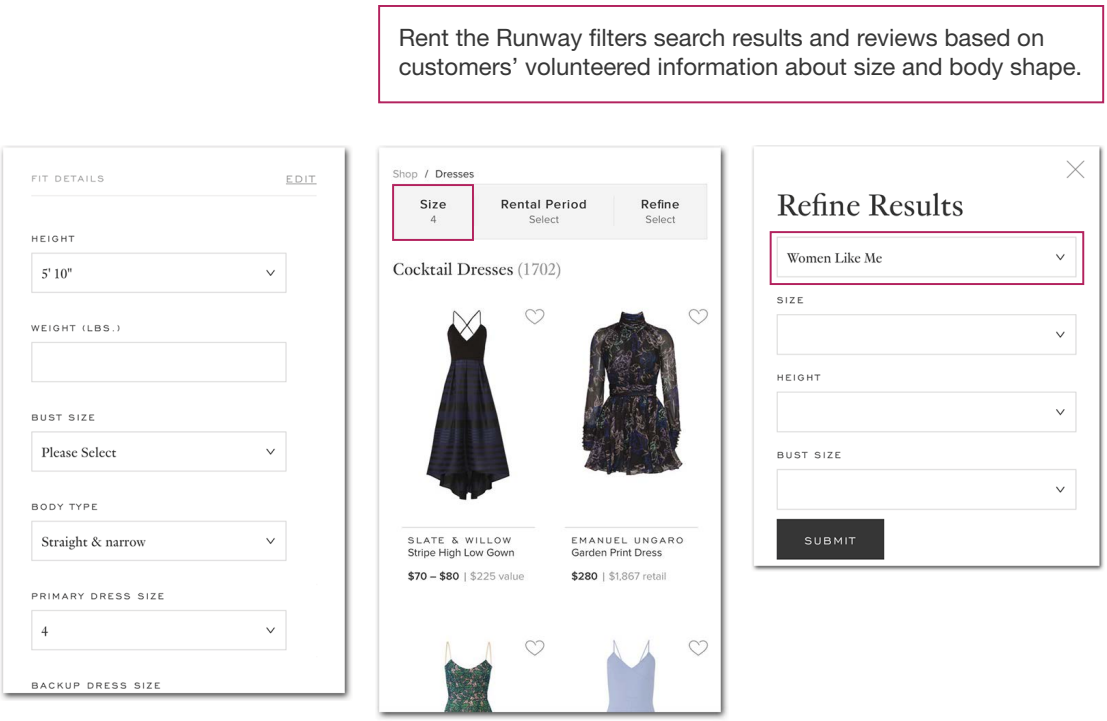
FIGURE 1 Rent The Runway Offers A Straightforward Preference Center That Delivers Value On Multiple Facets



Source: Rent the Runway mobile website

1. Heart: Build A Preference Center With A Customer-Obsessed Mindset

Customer obsession is built on three pillars: being human, helpful, and handy.[4] "At the end of the day, people want good experiences," says Alisa Bergman, chief privacy officer at Adobe. To build a preference center that fosters trust and delivers customer value, marketers must:

- **Respect customers' privacy and choices.** Trust is the single most critical element of a preference center. Customers are volunteering data about themselves — what we call zero-party data — so brands must treat it sensitively.[5] This isn't standard first-party data, which is required to complete a transaction; rather, it's information the customer shares *because* she trusts a brand. Brands must handle zero-party data with integrity, competence, and transparency to foster trust.[6] Karen Marchi, manager of the CRM center of excellence at Nestlé Purina North America, explains, "If I've told you something, I expect you to honor what I've told you."
- **Limit preferences to those they can execute against.** Asking consumers to share more information about themselves and then ignoring that volunteered information leads to confusion and disappointment. For example, one travel and hospitality company asked about customers' preferred language, even for languages it didn't have content in. When customers received

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emails in a nonpreferred language, they thought there was an error and called customer service, needlessly burdening the company's call centers. To help its clients deliver a good customer experience, Tasseologic has them complete a matrix on what information they want to collect and why, and how it will change their marketing to that customer. If they want to collect information but can't personalize or change messaging based on that data, it's scrapped.

- **Approach a preference center as they would a first date.** We doubt marketers would be comfortable with a first date that felt like an interrogation, and chances are consumers won't like a preference center that asks too many questions upfront. Kara Trivunovic, senior vice president of digital solutions at Epsilon, frames preference centers in a similar light. She explains: "If you sat down on a blind date with somebody, you wouldn't have 50 questions you'd ask out of the gate. Instead, you gather some initial information in conversation and then gather more information over time."

2. Spine: Make Preferences Central To Your Customer Data Strategy

EPM can boost customer engagement — for example, 35% of US online adults say they're more likely to purchase from brands that share content that interests them.[7] To facilitate a value exchange, preference centers must integrate across a firm's existing customer data strategy and tech stack. To make this work, preference data should:

- **Integrate with other customer data.** Firms should build a data strategy where preference and other customer data complement each other to deliver personalized customer experiences. A comprehensive EPM strategy optimizes the preference center by focusing on collecting information that's hard to infer — intentions and needs, for example — instead of asking about preferences that can be derived from existing customer data. "Most companies have a lot of data on customer and product interactions. Leverage that to infer who's interested in what, and from there, build out a preference strategy," recommends Scott Gamble, senior managing director of business analytics at AAA Club Alliance. Tasseologic's Pitre cautions against looking at the preference center in isolation: "Some marketers try to find a vendor as a workaround if IT pushes back on the project. Companies who take this approach just want the preference center to function, but they aren't looking at how it integrates into their data strategy."
- **Extend into systems of engagement.** A preference center is dead on arrival if it can't connect customers' interests to their experiences, so prioritize integration with systems of engagement.[8] Email is an easy entry point — many email providers offer out-of-the-box subscription centers — but companies should think about connecting preference data to the customer journey *across* touchpoints. For example, Sephora integrates customers' skincare information into not just its emails, but also its mobile app and cross-channel product recommendations (see Figure 2). Other systems of engagement that benefit from access to preference data include web content management, personalization, mobile engagement, loyalty programs, and chatbots.

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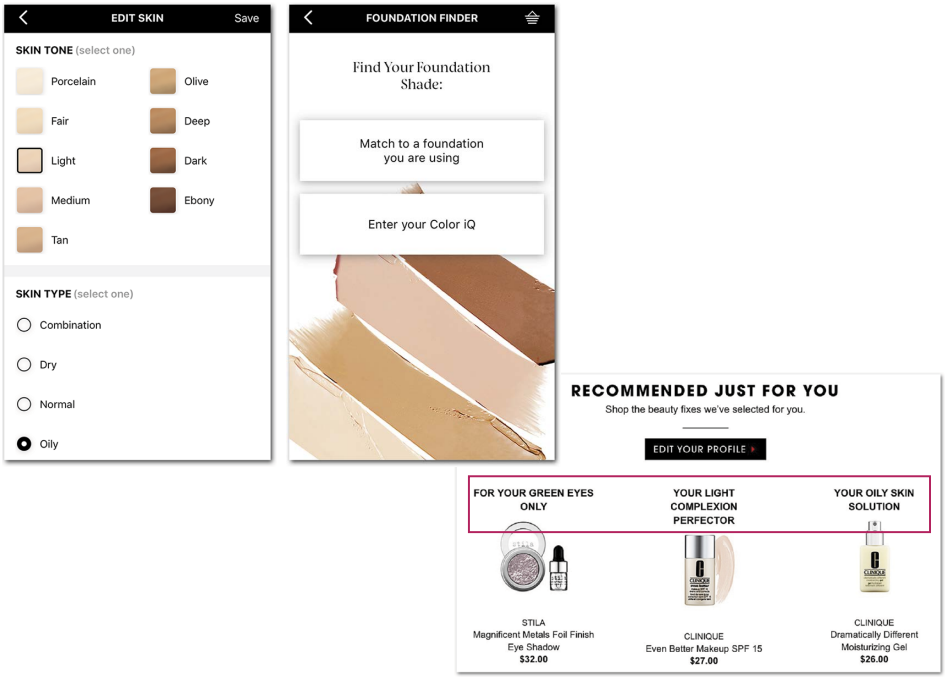
› **Be covered by part of a rigorous data governance process.** Companies should set boundaries on who can access and change customers' preferences and under what circumstances. The insurance firm John Hancock decided to give call center agents access to customers' preferences. "If someone calls in instead of clicking an unsubscribe link, the agent needs access. We used an API to connect our CRM to our preference center," explains Victoria Smith, former head of customer development, strategy, and marketing. Data governance best practices also call for authentication to verify customers' identities before letting them access or change any preferences. In cases where employees are adjusting preferences on customers' behalf, the firm needs an auditable trail of who changed what setting.

FIGURE 2 Sephora Connects Profiles To Systems Of Engagement For An Omnichannel Experience



Source: Sephora mobile app

3. Skin: Design The Preference Center For User Friendliness

Preference centers should be a key touchpoint where customers can easily volunteer interests, intent, needs, or affinities. A user experience with too many questions and options can quickly overwhelm customers, increasing the chance that they'll abandon the preference center entirely. To deliver a user-friendly preference center, marketers should:

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- **Start by asking for the information they *really* need.** Focus on the inputs that will directly impact the relationship with a customer. Nestlé Purina scaled back a complex preference center to a simple pop-up that asks for just four pieces of information (see Figure 3). "We determined that was enough to understand what kind of pet a site visitor owns, customize communications based on that, and build predictive models to layer insights on who these consumers may be," says Marchi. This simplification, which included removing a requirement that visitors create a password and account, drove a significant increase in the preference center's engagement rate.
- **Use progressive profiling to build a relationship over time.** Progressive profiling entails asking for information "in the moment" over the course of a customer's interactions with a brand. By asking for one or two data points at appropriate times, brands can glean insights without overwhelming customers. For progressive profiling to work well, "it has to be customer-centric," explains Jonathan Lacoste, co-founder and president at Jebbit. "We focus on making sure whatever data our clients collect, they activate on — either in the moment or immediately afterwards — so the customer sees the value and trusts them." Recipe website Yummly, for example, asks for limited food restrictions and uses visitors' responses to tailor recipe recommendations in the moment, rather than presenting a lengthy list of all possible food and diet options (see Figure 4).
- **Recognize that people don't always know what they want.** When it comes to preferences and interests, customers may provide aspirational responses or forget to adjust their profiles as their needs or tastes change. For example, one interviewee told us: "If I'm on a travel website, I might say I'd love to go to Tahiti. But the reality is I have children and my next trip will be to a theme park." To solve this challenge, brands should consider when to complement stated preferences with inferred ones. In other cases, it may be more appropriate to just ask. The Westin hotel chain understands that travelers' workout plans change based on the nature of the trip, so it lets guests book a WestinWorkout room, which opts them into a fitness-oriented stay on a per-trip basis.

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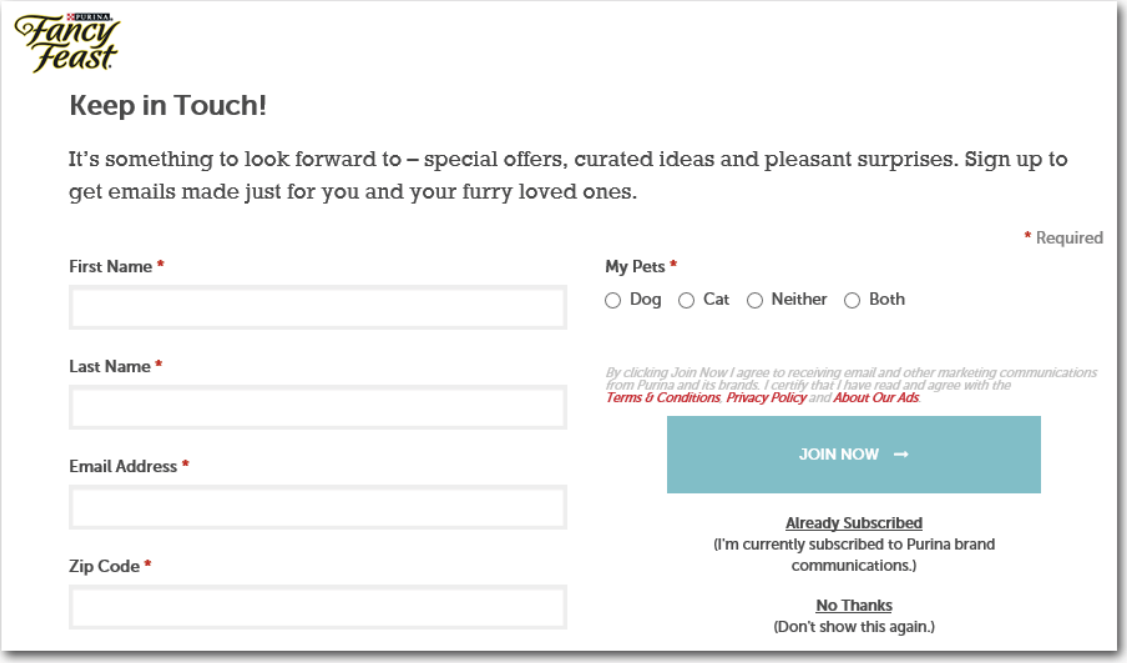
FIGURE 3 Nestlé Purina Keeps Its Preference Center Short And Sweet With Four Critical Pieces Of Information



Source: Nestlé Purina website

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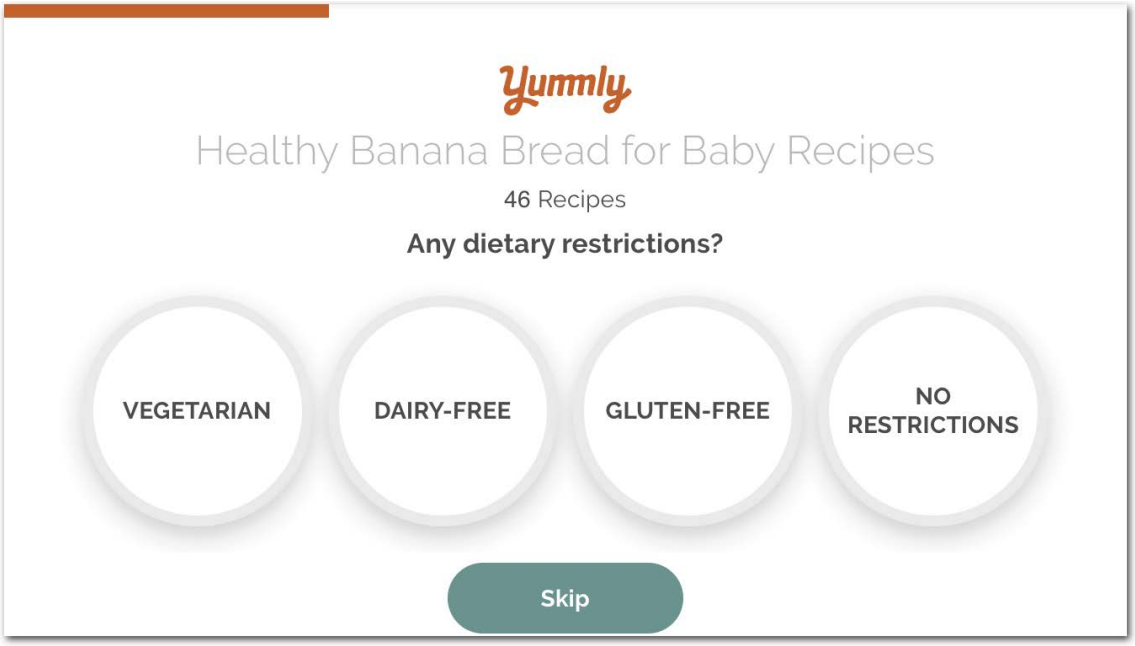
FIGURE 4 Yummly Simply Asks For Dietary Restrictions To Improve Recipe Recommendations



Source: Yummly website

Recommendations

Strategically Plan Your EPM Implementation

Too often, we find that when B2C marketers say they have a preference center, what they really mean is that they have an email subscription center. These marketers are missing an opportunity to build trust and deepen relationships with their customers by asking for incremental information and delivering value on that data. To build an EPM strategy that nurtures better customer experiences, marketers must:

› **Tie their preference data back to a data strategy.** The first step to establishing EPM is identifying how it fits into a broader customer data strategy. The preference center "needs to work in unison with your strategy. For us, the key is to not isolate data on an island so that it can't communicate or integrate with other data sources or repositories," says Gamble from AAA Club Alliance. PossibleNOW advises customers to think long term: "We see clients do a forklift upgrade later because they hadn't considered the ways they'd use data in the future, so they aren't collecting and storing it correctly.[9] You have to think about where you're heading," says chief strategist Eric Holtzclaw.

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- **Identify an owner for the preference center.** Customers can tell when there are too many cooks in the kitchen. As Barnes & Noble's senior manager of marketing operations Alison Aguiar explains: "Everybody wants a say. There's a balancing act of working with internal stakeholders while thinking about the customer experience." Her marketing team owns the preference center and has been a key decision maker in how to strike that balance. Ownership also ensures preference center developments don't stall. Gina Azzarello, user experience specialist at Sacramento Municipal Utility District (SMUD), attributes the growth of SMUD's preference center to the formation of a user experience team, which oversees the program and collaborates closely with the technology organization to continuously improve it.
- **Educate colleagues via an internal road show.** In the near term, preference centers may increase opt-outs and shrink marketing lists, so educate colleagues on the benefits of empowering customers. Position EPM as a way for customers to tell the brand *exactly* how to stay relevant and how *not* to upset them. Azzarello at SMUD worked with multiple departments — market research, customer service, and marketing — to explain the customer's perspective: "We have so many departments sending emails. I ask [peers], 'Do *you* want to receive 10 emails a month from your utility company?'" SAP's Nash says: "If I manage my preferences, I can turn down frequency or tune relevancy. I'm staying opted in and I retain control. Without a preference center, all I can do is unsubscribe."
- **Test, learn, and scale.** Start with a simplified preference center and expand from there. Holtzclaw of PossibleNOW says: "We look for a quick win — what we can do that shows the success of having a preference center. Companies try to do too many things at once; you have to pick a few priorities to start — those that will make the greatest impact." At SMUD, Azzarello implemented a simple newsletter subscription center to start. To scale SMUD's preference center, she's working with the technology organization and customer account team to connect it to customers' account settings, such as billing and usage alerts and topics of interest, for a better cross-channel customer experience. As the preference center grows more sophisticated, SMUD is frequently testing it for user friendliness.

What It Means

Prepare For The Convergence Of Preference And Consent

In the next three to five years, we predict companies will merge their preference and consent management centers to provide a more seamless customer experience.[10] Preference and consent are built on the same premise: fair value exchange. We're already seeing consent vendors cross into enterprise preference management and vice versa.[11] "Being transparent about how you're using customer data, giving the customer control over how that information is used, and having a tool where customers can manage and view the data you have on them will only fortify that exchange," says

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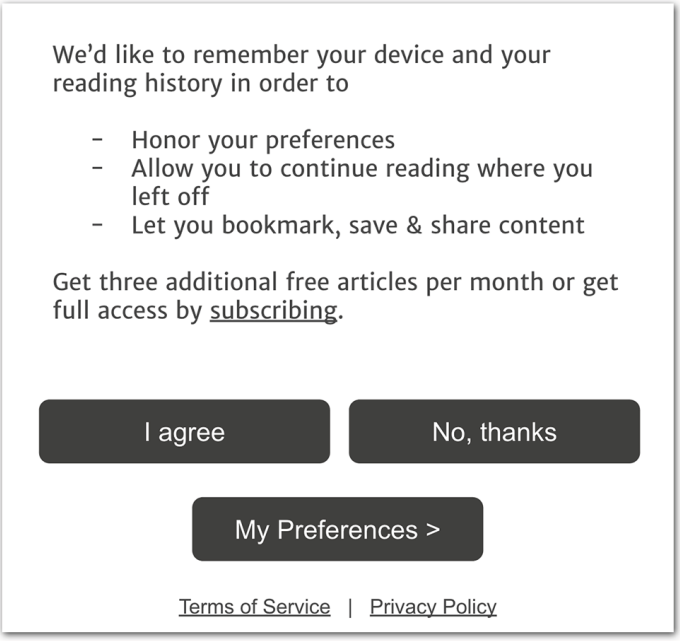
SAP's Nash. Janrain envisions replacing publishers' common five-article paywall with a pop-up that offers a choice to consent to third-party cookies and fingerprinting in exchange for additional free articles (see Figure 5).

B2C marketers can solve the privacy-personalization paradox if they apply the same three principles — heart, spine, and skin — to preference and consent and demonstrate value. As marketers build out their preference centers, they should factor this coming convergence into their long-term plans.

FIGURE 5 The Convergence Of Preference And Consent Will Deliver A Better Customer Experience



Source: Janrain

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Supplemental Material

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Adobe

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Epsilon

Janrain

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Sacramento Municipal Utility District

SAP

Tasseologic

TrustArc

Endnotes

[1] Source: Forrester Analytics Global Business Technographics® Marketing Survey, 2018.

[2] Source: Forrester Analytics Consumer Technographics North American Retail And Travel Survey, Q4 2017 (US) and Forrester Analytics Consumer Technographics Global Online Benchmark Survey (Part 2), 2018.

[3] See the Forrester report "Q&A: The Privacy-Personalization Paradox."

[4] See the Forrester report "Three Steps To Modernize Marketing Thinking."

[5] For more on zero-party data and how it differs from first-party data, see the Forrester report "Q&A: What Marketers Need To Know About Zero-Party Data."

[6] For more on the drivers of trust, see the Forrester report "The Mechanics Of Trust."

[7] Source: Forrester Analytics Consumer Technographics Global Online Benchmark Survey (Part 2), 2018.

[8] See the Forrester report "Combine Systems Of Insight And Engagement For Contextual Marketing."

[9] A forklift upgrade is "the cumbersome process of moving data from one storage array to another." Source: Chris Evans, "What is a Forklift Upgrade?" Architecting IT blog, April 15, 2018 (https://blog.architecting.it/what-is-a-forklift-upgrade/).

[10] Regulations such as the General Data Protection Regulation (GDPR) and California's Consumer Privacy Act (CCPA) have brought cookie and marketing consent to the fore. For more on these regulations, see the Forrester report "Marketing Under GDPR Hinges On Data Governance."

[11] Sample vendors who are crossing the consent and preference line include Janrain, OneTrust, PossibleNOW, and SAP Customer Data Cloud.

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