Realizing the BIG value of “Small Data”  
Gaining competitive advantage through Enterprise Preference Management

Written by Gregg Aamoth, CEO Consumer Centric Strategy, Inc.

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In a world abuzz about “Big Data,” there is a rapidly growing awareness of a major gap in strategic roadmaps: collecting and maintaining “Small Data.” As the industry struggles to define Big Data, let alone determine how best to manage and leverage it, there is a real risk of missing a critical window of opportunity: establishing a competitive advantage through a single, accurate, and “actionable” view of customers and their permissions and preferences.

“Big Data” refers to the billions (or trillions) of digital artifacts left behind by customers as they shop for, purchase, and ultimately use various products and services. The potential sources of data are endless, and the ability to directly correlate any one artifact to an individual and to the specific purchase (or non-purchase) event ranges from exacting to exceedingly difficult. Once accumulated and assigned to a person – or more likely associated to a large segment of people – the “Big Data” must be analyzed, modeled and interpreted to determine whether a statistically sound method of leveraging the historic data as a prediction of future behavior can be ascertained. Only then can the daunting challenge of applying and optimizing the results begin!

“Small Data,” generated through the collection of permissions and preferences, couldn't be more different. The process of garnering Small Data begins with… and by… the creation of each individual’s customer profile. Typically this is started by the company, then ideally exposed to and maintained by the customer. Over time, a trusting and mutually beneficial relationship is fostered. And if done correctly, the process results in a growing base of engaged customers proactively sharing key bits of highly valuable information. Those few small nuggets of preference information directly identify the products and services of most interest to the customer — no guessing required. Combined with permissions, a guidebook on how the company can best communicate with the customer in the future, they become the very essence of small, powerful and valuable data.

Unfortunately, given the myopic focus of so many companies on “Big Data,” and epic skepticism on the part of customers on the efficacy of sharing their wants and desires, few robust “Small Data” centers exist. Even worse, those that have been established frequently fail to realize their full potential due to lack of current and actionable information.

The purpose of this whitepaper — sponsored by PossibleNOW and written by Consumer Centric Strategy’s CEO Gregg Aamoth — is to incite and encourage change by:

1. Highlighting the importance of “Small Data” in the strategic and tactical Marketing and Customer Care business processes and the roadmaps for the systems and data that enable them.

2. Building awareness of the urgency and potential obstacles facing companies which have yet to establish a comprehensive plan to elicit and adhere to customers’ permissions and preferences.

3. Presenting a “Buy vs. Build” business case for an Enterprise Preference Management ecosystem; focusing on time to market, functionality, flexibility, cost, and ROI.
This white paper provides empirical evidence on the value of permissions and preferences, and lessons learned from the implementation of Enterprise Preference Management solutions.

The findings summarized below and detailed in sections that follow are based on the author’s in-depth analysis of the most current industry research and benefit from his decade of real-world experience leading customer marketing and preference initiatives in one of the most successful and respected US retailers.

It reflects the best practices from PossibleNOW’s experience creating a repository of 80+ billion permission and preference records (the largest known repository of its kind), and supporting their clients including Fortune 50 organizations.

- Companies gain competitive advantage by focusing beyond simply meeting legislative mandates to adhere to customers’ opt-outs. Actively asking for permissions and consistently applying customers’ preferences will increase marketing effectiveness, improve the customer experience, and build trust.

- Customers’ preferences are highly valuable and highly volatile, and should be treated like a perishable asset (e.g. a seat on an airplane). It should be someone’s full-time job to ensure that key operational processes and promotional efforts “take-off” with loyal customers in their preferred seat.

- Creating a sustainable and tightly integrated Enterprise Preference Management ecosystem to obtain, maintain, and integrate customer permissions and preferences is urgent, sizable, rewarding, and ongoing endeavor. Companies should quickly define an approach that:
  - **Accelerates time to market**: collecting express consent ahead of legislative changes, and quickly obtaining the most actionable preferences that speed customers’ Path-to-Purchase.
  - **Ensures flexibility**: designing and deploying dynamic systems that easily adapt over time as customer’s product, service, and associated communication needs change.
  - **Maximizes reach**: enabling a pragmatic and proactive method of prioritizing, collecting, and refreshing preferences. Empower customers and associates to easily access and update preferences at every customer touch-point.
  - **Benefits from lessons learned**: achieving the right blend of internal and external experts to seamlessly integrate existing operational and messaging solutions with complex permission and preference solutions. Continual knowledge transfer and compliance oversight is essential.
It’s debatable as to when the term was first coined, and as this was being written, a widely accepted definition of “Small Data” didn’t even exist. For the purposes of this paper, Small Data is defined as follows:

**Small Data:** Facts, permissions, and/or preferences expressly provided by an individual to a business during the course of the customers’ Path to Purchase and Loyalty Lifecycle.

The foundation for these invaluable tidbits of information is the Customer Profile, comprised of Personally Identifiable Information (PII) and other facts garnered during discrete phases of the customer life-cycle; for example when a customer’s purchase is delivered or when they open their first account. Permission data is closely linked to profiles, and the associated rights and restrictions must be accurately associated to the postal, email, and phone ‘adresses’ contained within. Customers’ explicit preferences and ultimately their future needs and desires are at the pinnacle of the Customer Data Hierarchy (see Figure 1).

**Maximizing the value of Small Data through Enterprise Preference Management**

Enterprise Preference Management is the active collection, maintenance and distribution of the Small Data that exposes unique consumer characteristics, such as product interest, communication channel preference and frequency of communication. These preferences are not derived from profile data, purchase or browsing history; rather, they are expressly stated by the consumer themselves.

The operative word in Enterprise Preference Management is “enterprise,” extending the management of customer profiles, preference and permissions to include all:

- Communication channels including direct mail, email, call centers, social media, and mobile messaging
- Departments (marketing, sales, customer service, support) within the organization that communicate with customers and prospects
- Customer care and marketing databases, marketing automation systems, CRMs, and third party vendor databases (e.g email service provider)
- Tracking, reporting and archival as associated data and activities in order to satisfy state and federal requirements, and industry best-practices.
Customer Profiles – A critical foundation for Permissions and Preferences

This whitepaper is NOT focused on the collection and maintenance of a customer profile. That said, it would be remiss to not call out the importance of having a single, aggressively maintained, enterprise-wide view of the customer as a foundation for permissions and preferences. To ensure adherence to customer’s permissions and maximize the value of their preferences, it is critical to have processes in place to ensure that customer profiles are:

1. **Accurately assembled** from the various attributes that uniquely identify each individual customer, including: postal and email addresses, business and personal phone numbers (flagging the mobile ones of course), web and social accounts, and their loyalty and/or financial accounts.

2. **Frequently updated** to ensure hierarchical relationship of each individual to their identifiable attributes and relationships between individuals, households, and/or social groups are appropriate.

The art and science of this topic and the unique challenges that face companies in building and maintaining a viable ecosystem for customer profiles is worthy of its own series of whitepapers!

Permissions – The customer’s consent to be contacted

Again, the purpose of this paper is not to dwell on the challenges companies face in trying to legally and effectively communicate with their customers through the multitude of channels now available.

Surprisingly, despite years of awareness on the importance of obtaining certain Permissions, most companies have simply been collecting customers’ permissions (or tracking the revocation of the same) as explicitly required by law and with the focus towards adhering to externally defined mandates.

Few companies are strategically collecting and actively maintaining permissions with their customers' interests and corporate goals in mind.

> Among the potential obstacles that are likely to vex users of “integrated data” in the years ahead, one supersedes all others: the still-unsettled question of what standards count as “responsible” with respect to data security, transparency and consumer choice. Marketers overwhelmingly say they want to abide by a set of universal best practices in this regard, but rapid technological proliferation and the continuing threat of regulation are raising concerns about their ability to collect and use virtually any online data, especially when that information is embedded with personally identifiable (“PII”) elements.¹

The most effective communication occurs between mutually interested, actively engaged and fully consenting parties. Companies should look at every customer interaction as an opportunity to progressively, proactively, and repeatedly obtain their customers’ permission to communicate with them. We teach our children that it’s polite to ask for permission. Refreshing your permission to communicate with customers builds trust and reminds them that communication is on the way. Respecting the customer by not abusing the permission they’ve granted is essential to keeping it!
Preferences – The most valuable and volatile Small Data

While permissions give companies the legal right to communicate with a customer through a certain channel, Customer Preferences tell companies the right way to engage with them. Preferences come in many forms depending on the industry and the stage and depth of relationship with the customer. For most industries, preferences can be generally categorized as follows:

**Contact Preferences:** A matrix of how, when, and how often the customer wants to communicate with a company. Contact preferences should be defined for both operational and promotional messages. For example, a customer may give permission to be contacted via SMS and email. However, they would prefer to only get SMS messages about urgent issues or opportunities, and request that email is used for monthly statements or weekly sales notices.

- Collecting and respecting customers’ contact preferences is the first step toward building an engaging dialog and is crucial to establishing a robust, richly populated Preference Center.

**Product Preferences:** What the customer is most interested in communicating about. Whether in respect to brands, products, services, events, charities, or lifestyles, expressly knowing what your best customers are interested in today and in the relatively near future can be invaluable.

- Using Predictive Analytics against “Big Data” is an effective way to infer customer preferences for large segments of customers and improve overall marketing effectiveness. Knowing and delivering on a few discrete and explicit preferences for your best customers at the right time is key to increasing customer engagement and building loyalty.

**Personal Preferences:** The Holy Grail of the preference hierarchy, this catch-all category is for the most unique and (as the name reflects) most personal preferences that a customer would share with a company about their wants, needs, and desires. For example: the dates of important events, their significant other’s shoe size, their favorite color, or their favorite Customer Service representative.

- Personal preferences are best collected during person-to-person interactions between customers and company representatives. Big companies benefit from the close relationships that smaller companies more easily obtain, by paying attention to and preserving the personal preferences that engaged, loyal customers will frequently share.
Key decisions in building an Enterprise Preference Management solution

It cannot be more concisely said than in a recent Forrester report on Business Technology decision making… “People, not processes or tools, make decisions.” Business executives are responsible for ensuring that the resources required to accomplish business objectives are in place and optimal; including People, Processes, Technology and Data.

“Where the benefit/risk ratio is positive, business areas will be empowered to directly acquire and use — and pay for — cloud and Software-as-a-Service (SaaS)-based solutions, as well as user devices that serve local needs. Business value, more than hard and fast IT rules, will be the predominant factor in decisions.”

Each of the following needs to be considered with both internal teams and vendor partners in mind. Very rarely will a one-dimensional, in-source vs. out-source, approach meet each of the objectives below and satisfy the diverse needs of the enterprise. The key is to establish the ideal balance, effectively leveraging, supplementing and seamlessly integrating with existing elements in the ecosystems. This includes both the solutions and the teams that created and maintain them!

Time to Market

The focus on accumulating and interpreting Big Data, and the urgency created when trying to predict and prepare for changing regulatory “Do Not” rules, has been resource- and calendar-consuming! Each day that goes by with business knowing only a fraction of their customers’ preferences is like the aforementioned plane taking off with the majority of its seats empty. Or worse, having the best customers crammed into a middle seat in the last row!

“A dynamic world has led to acceleration in business cycles. Disruptive competition can now come from anyone and anywhere at any time. Time-to-market is becoming a critical priority and a leading source of value expected from IT.”

Companies preparing to invest in the creation of an Enterprise Preference Management solution should put significant weight on approaches that accelerate the collection of current, applicable, and actionable data from their customers. In your evaluation processes, ensure that the time to market of the following core Preference Center Use Cases are ranked appropriately:

1. Quickly deploy solutions that capture customers’ express consent to receive marketing messages via email, SMS, and /or telemarketing messages.

2. Challenge teams to rapidly collect and consistently apply Preferences for the two or three highest impact business events across the Path to Purchase and Loyalty Lifecycle for your best customers.

3. Establish a Permissions and Preferences “renewal process” to ensure that the data collected through the above items is kept fresh and relevant.
“Omnichannel,” another buzzword reverberating nearly as loudly as “Big Data,” is essentially the commitment to consistently and effectively sell, service, and speak with the customer across all points of interaction. The emphasis is on “across all,” because truly delivering on the Omnichannel vision requires companies to consider each of their selling and services channels, and the proliferation of communication channels they are engaged in across the labyrinth of customers’ potential Paths to Purchase and Lifecycle to Loyalty (see Figure 2).

There are waves of permission and preference capturing opportunities as customers interact with the Brand – and multiple chances to miss, meet, or exceed expectations!

To be successful, the Enterprise Preference Management Solution must be implemented with the Omnichannel implications in mind. The EPM solution must be accessible to customers, as well as the company’s associates and partners, through a variety of interfaces and at every major point of interaction in the Path to Purchase. Hosted solutions with tight integration to internal systems and databases provide the greatest reach.

Remember… this is not a one-time event. Companies must identify, elicit, and employ the unique permissions and preferences essential to move the customer through each phases of the Lifecycle to Loyalty. Each instance of delivering according to a customer’s preference is a step forward; knowing but failing to deliver is two steps back!

Flexibility
No Preference Center should ever be considered “complete.” To use a corollary to the personalized marketing mantra, the key is to elicit the right preference, from the right customers, at the right time.

The underlying framework and functionality for collecting customers’ permissions and responding to their preferences should be relatively stable; however the content and context of the Preference Center must be structured to quickly change.

Sustainable agility has a goal: achieving and sustaining excellent business outcomes. Enterprise Architecture models and methods must ensure an understanding of what “excellent business outcomes” means for your organization, how these might change in the future, the business capabilities that most affect outcomes, and the business designs that can best deliver them.

Sustaining agility to meet rapidly changing business and customer needs requires that solutions be constructed with “dynamic content” and the content owners (typically the business) in mind. When the content (in this case customers’ permissions and/or preferences) is in turn used to drive changes to other processes, the challenge of keeping both systems and processes in sync is compounded.
Companies attempting to create a personalized experience through data driven content in their web-sites learned long ago that content management responsibilities are sizable. Unless their core-business was software development, few took on the added challenge of developing the framework for digital asset and workflow management as well. I'd strongly suggest the same is true for the dynamic and evolving capabilities essential in Enterprise Preference Management solutions.

Integrating a SaaS-based solution built with the businesses’ on-going administration and changing customer needs in mind will provide the flexibility required to keep customers engaged.

**Subject Matter Expertise**

Each of the above “Critical Success Factors” (Time to Market, Reach, and Flexibility) are distinct and potentially conflicting paradigms. Quickly enabling a stable, multi-platform solution built for frequent change demands a multi-faceted, well architected development approach. Consistently and effectively acting on the diversity of data generated by that solution requires a mature, multi-disciplined business model. Unless they have already built a robust Preference Center, no company should assume or expect that an existing team has the cross-functional experience to successfully develop and deploy one.

Expertise from and collaboration between Subject Matter Experts in Customer Data, Preference Centers, Business Process, and the affected legacy systems is essential to a successful outcome. Guided by a small, empowered leadership team with representation from Finance, IT, Marketing, and Operations, these Enterprise Architects should be challenged to deliver results based on measurable business objectives. The team of Enterprise Architects should be comprised of informed and influential people who can play one or more of the following roles:

1. **The customer-focused business strategist**, familiar with current capabilities and the value (and risks) of improving major points of customer interaction across the enterprise;

2. **The solution-focused systems specialist**, a politically astute and engaging consultant to interact with the senior business and technical owners of these operational systems;

3. **A technically savvy integrator** to quickly identify, innovatively solve, and effectively explain viable options to exploit potential shortcuts and avoid significant roadblocks; and

4. **A relentless realist** to architect the program’s overall direction and work with project managers to keep the project scope, timeline, and cost on track.

This may sound like a challenging team to assemble – especially considering this only covers the key architectural roles. The construction and operation crews to develop and maximize value from the Preference Center will be even larger. Thinking back to the airline analogy, companies must recognize the importance of each team’s role in the journey towards the passenger’s safe, comfortable arrival at their desired destination.

Whether it’s airline safety or Customer Engagement, everyone on the team is accountable. Partnering with vendors that bring best-practices to the table through value-added consulting services and with a track-record of practical experience from implementing viable EPM solutions, is an excellent way to have smooth, safe travels from take-off to landing!
Return on Investment and Opportunity Costs

An Enterprise Preference Management solution is not a “Field of Dreams”… Customers won’t come (or share their preferences) simply because you’ve built one. Harvesting the greatest yield from enterprise-wide ecosystems like an EPM will require an ongoing investment and collaboration with a combination of short-term and long-term partners.

That said, the soil is rich and the fruits of labor are substantial. A recent study by the Temkin Group (see Figure 3) provided a statistically sound method of measuring the incremental revenue generated when larger companies ($1 Billion +) focus on improving customer experience. The direct correlation between capturing and adhering to customers’ permissions and preferences and an overall improvement to customer experience are still being analyzed. The overwhelming body of evidence is that even in the worst situations, peoples’ post-event perceptions and satisfaction improves when things go as expected.

While customers’ expectation that their permissions will be adhered to is very high, the same cannot be said for the likelihood of companies showing thoughtful consideration of their preferences. Companies consistently delivering according to the customers’ preferences are likely to greatly exceed expectations.

### Customer Experience Improvements

#### Increase Revenues in the US

<table>
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<th></th>
<th>Additional Purchases</th>
<th>Less churn</th>
<th>Business from recommendations</th>
<th>Total ($ millions)</th>
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**Base:** 10,000 US Consumers  
**Source:** Temkin Group Q1 2012 Consumer Benchmark Survey  
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Measuring and attributing the cost, benefit, and long-term rewards of customer engagement is still an art. Progress is being made toward creating a straightforward and financially sound measure of the ROI for improving Customer Experience, to which permissions and preferences directly contribute. As reflected above, the size of the opportunity varies based on the category of business and the current state of the companies’ cross-selling, customer churn, and the likelihood of the customer to recommend the company to their Social Network, family and friends (aka Net Promoter Score).

The benefits typically come from five distinct areas:

1. **Response** – Customers’ increased likelihood to respond to promotions to which they have expressed interest.

2. **Net Spend** – Lower price sensitivity and net higher spend for product or service from a Brand that knows and acts based on their preferences.

3. **Recommendations** – Customers’ likelihood to recommend Brands that cater (or at least listen) to their preferences. Includes direct referrals and online postings.

4. **Marketing Optimization** – Cost savings in communicating at the optimal frequency or effectively reaching customer via lowest cost media.

5. **Cost to Acquire** – Accelerating acquisition and reducing the churn resulting from over-promoting situational or occasionally interested customers to the point of an opt-out.

Extending Customer Engagement metrics to accurately measure the root impact of the permissions and preferences is as justifiable (some would consider more) as the vast majority of web and social metrics. Unlike those largely anonymous channels, permissions and preferences are by definition tied to the individual.

With typical targeted marketing response rates in the 2-4% range, the goal should be to know at least as many customers’ explicit preference for each major point of interaction.
The Bottom Line

Massive investments in time and resources are spent towards accumulating, interpreting, modeling, and optimizing the value of Big Data. There is no debate that companies who successfully isolate the elements beneficial to driving marketing effectiveness and other key business decisions can improve their overall performance. Companies adept at slyly amassing and effectively leveraging historic artifacts from customer interactions will continue to benefit as long as it is legal and generally accepted by the consumer. With consumer and individual privacy-related issues frequently hitting the headlines, it is inevitable that significant legislative changes will continue to impact this strategy!

With all its virtues, relying on Big Data is not the optimal or even appropriate approach to achieving lasting Customer Engagement. Companies must rapidly shift at least some of their focus and resources towards identifying, collecting and applying the profile, permission, and preference data that is proven essential to meeting customer expectations.

*Cultivating relationships that elicit highly valuable nuggets of data in the form of profiles, permissions and preferences — the essence of Small Data — and assembling them into an Enterprise Preference Management solution will have lasting value to both the customer and the Brand.*
About PossibleNOW

PossibleNOW, headquartered near Atlanta, Georgia, is the trusted source for enterprise preference management and compliance solutions. PossibleNOW leverages its expertise in information technology, database management, customer engagement, and consumer privacy and regulatory compliance to provide SaaS-based applications.

PossibleNOW’s MyPreferences® is an enterprise preference management solution that effectively collects and manages the contact preferences of customers and prospects including servicing, privacy, and marketing (opt-in and opt-out) across all marketing channels and makes the preference data actionable. MyPreferences can be integrated into existing applications such as CRMs, marketing databases and email databases.

For more information, call (800) 585-4888 or (770) 255-1020
or
e-mail info@possiblenow.com
or

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