May 21, 2009

Managing Customer Communication Preferences
A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications
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Executive Summary

In April 2009, SoundBite Communications commissioned Forrester Consulting to evaluate how companies, especially large business-to-consumer enterprises, approach customer communication preferences. The study sought to understand the types of contact and customer preference information that companies capture today, the channels through which they gather this information, the extent to which they update it, and the manner in which customers can make changes to their profiles. The research also explored firms’ awareness of the impending Federal Trade Commission (FTC) amendment to the Telemarketing Sales Rule (TSR), which will require express written consent for sales-related automated voice messages starting on September 1, 2009.

In conducting 150 phone surveys with decision-makers responsible for customer communications in marketing, customer care, fraud, and collections departments, Forrester found that the majority of these companies claim to use customer preferences as a key factor in planning communications. But fewer than one-third of respondents proactively contact their customers twice or more per year to update their preferences. So most companies understand that customer preferences are important, but many are still learning how to effectively manage and use preferences to achieve real business benefits.

Key Findings

Forrester’s study yielded four key findings:

- **Companies that measure the impact of using customer preferences report substantial business benefits.** Although the data showed that a small proportion of companies have started to measure the effect of leveraging customer communication preferences, those that do see improved customer satisfaction, better campaign results, improved retention rates, and better return on their marketing investments. Measuring results enables organizations to tune their customer communication strategies for optimal business results.

- **Capturing customer communication preferences is common, but proactively managing them is not.** The survey data revealed that most companies collect customer preferences, and many say that they rely on customer-stated preference when they are making communications decisions. But few companies frequently reach out to customers to update these preferences.

- **Leaders and Laggards differ vastly in how they manage communication preferences.** The study results showed 3 distinct maturity levels in how companies manage communication preferences. Those that are farthest along the path, Leaders, treat customer preferences as the primary factor in how they determine their communications and measure the results of relying on those preferences. Twenty-one percent of the companies surveyed in this study fell into the Leader category. On the other end of the spectrum, Laggards are unlikely to use customer preferences at all. Understanding a company’s own maturity level will help it determine the next steps for gleaning the benefits from customer preference management.

- **Leaders capture customer-defined preference combinations.** The most sophisticated Leader companies tailor their customer communications, matching consumers’ preference for medium, frequency, and content/purpose of the communication. This is the Holy Grail for which organizations should strive.
What Is Preference Management, And Why Does It Matter?

Today’s consumers take a multitude of steps to avoid messages that companies send to them — especially marketing messages — signing up for the National Do Not Call Registry, blocking unwanted emails and ads on their PCs, and subscribing to services that allow them to opt out of direct mail and catalogs. At the same time, firms talk about being customer-centric and say that they seek to send the right message to the right person at the right time and through the right medium. But most continue to turn up the volume and try to find ways around the barriers that consumers erect.

In an era of Social Computing — one in which peer reviews are more highly regarded than what companies tell consumers — some companies recognize that today’s consumer really is in control. A brave few are allowing consumers to dictate which messages they receive, when, and how. In short, they are adopting preference management and allowing consumers to manage their communications preferences.

Preference management relates to how firms capture and honor what, when, and how they communicate with recipients (usually their customers and prospects).

Unlike an opt-in program, which is generally focused on remaining compliant with requirements in a given communication channel, preference management extends throughout customers’ life cycle — from marketing to sales, ongoing service communication, and even elements such as fraud and collections in certain industries. Preference management is a more strategic approach and goes beyond tactical opt-in or opt-out programs, philosophically focusing on giving recipients control over their communications preferences.

Every organization has some form of a customer life cycle. For example, a card-issuing bank has card origination, card activation, loyalty-program reminders, cross-sell and upsell offers, payment reminders, and fraud notifications — each of which could serve as triggers for proactive customer communications. For retailers, these customer life-cycle triggers span a variety of marketing, customer care, and collections initiatives. Thus, customer communication preferences may relate to the content/purpose of messages, the volume or frequency, the medium or channel, or a combination of each of these elements. Preference management is a key component of a sustained approach to a customer contact strategy, ultimately delivering that right message to the right person at the right time.1

A preference management program helps firms:

- **Put the consumer in control.** Relevance is a relative term. Firms spend millions of dollars every year modeling what they believe to be relevant to segments, households, and individuals. Ultimately, however, only the consumer can say what is relevant. Although consumers won’t always disclose their preferences, giving them the option to do so can have significant benefits.

- **Comply with legal requirements.** Requirements vary by channel and change frequently. For example, on September 1, 2009, an FTC amendment to the TSR will require express written consent for sales-related automated voice messages.

- **Improve customer experience and profitability.** Few companies truly embrace customer communications preferences, and fewer still measure the impact of doing so. In a survey of
150 respondents that are responsible for customer communication, those that measure the impact of their customer preference program see improved customer satisfaction, better marketing campaign results, improved retention rates, and better return on their marketing investments (see Figure 1).

**Figure 1: Companies Measuring The Impact Of Customer Preference Report Positive Results**

<table>
<thead>
<tr>
<th>Impact Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher customer satisfaction</td>
<td>89%</td>
</tr>
<tr>
<td>Better campaign results (e.g., higher response rates, click-through rates)</td>
<td>80%</td>
</tr>
<tr>
<td>Higher customer retention</td>
<td>80%</td>
</tr>
<tr>
<td>Improved ROI</td>
<td>78%</td>
</tr>
<tr>
<td>Lower customer retention</td>
<td>4%</td>
</tr>
<tr>
<td>No measurable impact</td>
<td>2%</td>
</tr>
<tr>
<td>Decreased campaign results (e.g., lower response rates, click-through rates)</td>
<td>2%</td>
</tr>
</tbody>
</table>

Base: 45 marketing decision-makers  
(multiple responses accepted)  
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009
Capturing Preference Is Common, But Preference Management Is Not

Firms tell us that preference plays an important role in how they communicate with their customers. In fact, 84% of respondents that capture customer preferences claim that they are a factor in how they send customer communications (see Figure 2). However, our survey shows that few companies systematically manage preferences, and even when they are aware of legal requirements that will affect how they communicate with their customers, many fail to take the required action. How important is maintaining an accurate preference management program? Almost one-third (32%) of respondents do not proactively contact customers to update their communication preferences, and 36% do so once per year or less often (see Figure 3).

Figure 2: Firms Claim That Preference Plays A Strong Role In Their Communications

“`To what extent are customer stated preferences a factor in how you send your customer communications?`"

- Customer preferences are the primary factor: 42%
- Customer preferences are often a factor: 42%
- Customer preferences are seldom a factor: 11%
- Customer preferences are never a factor: 5%

Base: 118 marketing decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009
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Figure 3: Many Firms Fail To Proactively Manage Communication Preferences

“How often do you contact customers to update their communication preferences?”

- We do not proactively contact customers: 32%
- Less than once per year: 9%
- Once per year: 27%
- Two to three times per year: 22%
- Four or more times per year: 9%

Base: 118 marketing decision-makers
(percentages may not total 100 because of rounding)
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009

Most Companies Are Actively Collecting Preferences, But Fewer Proactively Manage Them

Four of five respondents told us that they provide an opportunity for customers to register and/or update their communications preferences for marketing, service, fraud management, and/or collections. In fact, customer-stated communications preference was the No. 1 factor cited by respondents in deciding which medium to use when communicating with customers.² Twelve of 14 telecom firms and 22 of 27 retailers say that they use customer-stated preferences to determine which medium to use. Overall, firms tell us that they:

- Provide a range of channels for consumers to register and manage their communications preferences. Eighty-one percent of respondents that capture customer communications preferences do so in more than three channels, and more than one-third (34%) do so in more than six channels. Three-quarters (76%) provide a dedicated Web page for customers to register, update, and manage their communication preferences. This is an encouraging sign, although we wonder how many consumers are even aware of their options for communications from most companies.

- Capture medium/channel and content preference more often than frequency. Almost three-quarters of respondents that capture customer communications preferences capture the preferred medium for message delivery (73%) or the type of content that the recipient would like to receive (72%) (see Figure 4). Many fewer capture the preferred frequency for receiving communication. On one hand, companies are willing to give up some control — in allowing customers to determine the medium and content of messages they receive. On the other hand, however, they are keen to retain the right to determine how often they communicate.

- Sometimes lack technology and organizational alignment to capture preference. Respondents that don’t capture communications preferences told us that they do not have
the technology to capture preferences (38%), that their business is too siloed to capture this information (38%), and that they don’t want to limit their ability to communicate with customers and prospects (38%) (see Figure 5). Other reasons include a lack of legal requirement, a lack of budget and people to manage preferences, and a lack of technology to actually honor preferences once they have been captured. Despite being a very honest response, not wanting to limit their ability to communicate with customers is a myopic view of preference that we expect will evolve with education and awareness.

- **Often fail to manage customer preference.** As previously stated, about one-third of respondents (32%) do not proactively contact customers to update their communications preferences, while another 9% do so less frequently than once per year. Although it might be claimed that organizations, especially marketers, don’t wish to waste communication touches by focusing on preference, Web site notifications/alerts and inbound interactive voice response (IVR) or call centers are two of the three most common methods that organizations use to remind customers or request updates from them — neither of which is particularly obtrusive or annoying if done right. Companies should also seize the opportunity in outbound communications — such as service reminders — to confirm or update communication preferences.

**Figure 4: Preferred Medium And Content Are Most Commonly Collected**

<table>
<thead>
<tr>
<th>“Which of the following do you collect from customers/prospects?”</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred medium for message delivery (e.g., postal mail, telephone, email)</td>
<td>73%</td>
</tr>
<tr>
<td>The type of content they would like to receive (e.g., statements, coupons, account activity)</td>
<td>72%</td>
</tr>
<tr>
<td>Preferred frequency for receiving communication (e.g., monthly, weekly, daily, ad hoc)</td>
<td>52%</td>
</tr>
<tr>
<td>Multiple customer-defined combinations of content, medium, and frequency</td>
<td>46%</td>
</tr>
<tr>
<td>None of the above</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>

Base: 118 marketing decision-makers
(multiple responses accepted)
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009
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Figure 5: Reasons For Not Capturing Preference Include Lack Of Technology

“What are the reasons that you do not capture customer communication preferences?”

- We do not have the technology to capture preferences: 38%
- Our business is too siloed to capture this information: 38%
- We don’t want to limit our ability to communicate with customers/prospects: 38%
- We are not legally required to do so: 31%
- We don’t have the budget to manage preferences: 28%
- We don’t have the people to manage preferences: 22%
- We do not have the technology to honor preferences once captured: 19%
- Other: 9%

Base: 32 marketing decision-makers
(multiple responses accepted)
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009

Impending Legal Changes Need More Focus

Sixty-three percent of the respondents to our survey are aware of the impending FTC amendment to the TSR. On September 1, 2009, an FTC amendment to the TSR will require express written consent (opt-in) for sales-related automated voice messages. Once again, we found a discrepancy between what marketers say and do, which was namely:

- **Companies claim that the TSR is an opportunity to improve.** Fifty-five percent of the respondents that use outbound automated voice messaging see the TSR as an opportunity to improve their customer communications preference strategy versus 24% that disagree.

- **But fewer than half of them have taken the required action.** Of the 29 respondents that use automated voice messaging and are aware of the impending FTC changes to the TSR, only 11 respondents have solicited customer explicit opt-in to these communications (see Figure 6). Others have added opt-in language to standard applications (13 respondents) and changed forms on their Web site (13), presumably with the intent to capture opt-in. The most common activity in response to the TSR amendment is confirming or updating customer contact information — not a bad activity in its own right, but irrelevant to the TSR requirements after September 1, 2009.
### Figure 6: Few Companies Affected By The TSR Changes Have Taken The Required Action

“In relation to the FTC amendment to the TSR, what preparations have you made, if any, to obtain customer opt-in for automated voice messaging or prerecorded calls?”  
*Number of respondents*

<table>
<thead>
<tr>
<th>Response</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confirmed or updated customer or prospect contact information</td>
<td>15</td>
</tr>
<tr>
<td>Solicited updates to customer preferences</td>
<td>14</td>
</tr>
<tr>
<td>Changed forms on our Web site</td>
<td>13</td>
</tr>
<tr>
<td>Added opt-in to standard applications</td>
<td>13</td>
</tr>
<tr>
<td>Solicited customer explicit opt-in</td>
<td>11</td>
</tr>
<tr>
<td>Had discussions with legal department to talk about ways to capture opt-in</td>
<td>11</td>
</tr>
<tr>
<td>Standard question for inbound IVR/call center</td>
<td>10</td>
</tr>
<tr>
<td>We have not yet prepared</td>
<td>5</td>
</tr>
<tr>
<td>This amendment does not apply to us</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
</tbody>
</table>

*Base: 29 marketing decision-makers affected by TSR  
(multiple responses accepted)*

*Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009*
Vast Differences Exist Between Leaders And Laggards

Few firms have customer preference management completely nailed, but we identified significant differences among the respondents to our survey. We classified respondents into three groups, which were namely (see Figure 7):

- **Laggards.** At the lowest level of maturity are the Laggards. These organizations are unlikely to use customer communication preferences, only update contact information when customers request a change, and don’t proactively contact customers to update communications preferences. In short, Laggards display little or no concern for capturing and managing customer preference.

- **Strivers.** The largest segment is composed of Strivers. These organizations, frankly, are trying. They capture and use customer preference, capture preferred medium and type of content, and contact customers to update preferences, albeit infrequently. They are unlikely, however, to measure the impact of applying customer preferences.

- **Leaders.** At the top of the heap are the Leaders that capture not only preference but also multiple customer-defined combinations of content, medium, and frequency. Leaders frequently contact customers to update their communications preferences and treat preferences as a primary factor in communications. Preference is such an important factor for these organizations that they measure the impact of applying customer preferences in their programs. Measuring its impact enables Leaders to continually refine and optimize their approach and helps deliver improved customer satisfaction, better campaign results, improved retention rates, and better return on marketing investments.
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Figure 7: Customer Preference Management Maturity Model

Leaders
- Capture and use customer communication preferences
- Likely to capture multiple customer-defined combinations of content, medium, and frequency
- Frequently contact customers to update their communications preferences
- Preferences are a primary factor in communications
- Measure the impact of applying customer preferences

Strivers
- Capture and use customer communication preferences
- Capture preferred medium and type of content
- Contact customers to update preferences infrequently
- Unlikely to measure impact of applying customer preferences

Laggards
- Unlikely to use customer communication preferences
- Only updates customer contact information when customer requests a change
- Don’t proactively contact customers to update communications preferences

37% 43% 21%
Base: 150 marketing decision-makers
(percentages may not total 100 because of rounding)
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009

Leaders Put Consumers In Control
Leaders embrace the notion of customer control. They actively manage customer communication preferences and are more likely to:

- **Capture customer-defined preference combinations.** Seventy-one percent of Leaders capture multiple customer-defined combinations of content, medium, and frequency versus 45% of Strivers and 13% of Laggards (see Figure 8). Given the complexity of capturing multiple customer-defined combinations of preference, it is a litmus test for becoming a Leader in many ways. It demonstrates a commitment to customer preference and requires significant process and system integration, corporate alignment, and resource investment to achieve.

- **Remind or request customers to update their communication preferences.** Only 3% of Leaders do not proactively remind or request customers to update their communication preferences versus 78% of Laggards (see Figure 9). Leaders and Strivers both use a wide range of channels to reach consumers to ensure communication preferences are up to date. Reminding customers to update their preference highlights the philosophical difference between providing the opportunity to manage their preference and actively focusing on customer preference and relevance in communication.
• **Use customer-stated preferences to decide which medium to use.** Ninety percent of Leaders use customer-stated communications preferences to decide which medium to use when communicating with customers versus 73% of Strivers and 53% of Laggards (see Figure 10).

• **Use phone interactions to update preferences.** Eighty-four percent of Leaders enable customers to update their communications preferences during inbound calls versus 35% of Laggards. Similarly, 45% of Leaders allow customers to update preferences during outbound calls versus 9% of Laggards.

**Figure 8: Leaders Are Most Likely To Capture Combinations Of Preferences**

> "Which of the following do you collect from customers/prospects?"

<table>
<thead>
<tr>
<th>Multiple customer-defined combinations of content, medium, and frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders: 71%</td>
</tr>
</tbody>
</table>

Base: 23 Laggards, 64 Strivers, and 31 Leaders
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009

**Figure 9: Laggards Fail To Proactively Update Preferences**

> "How often do you contact customers to update their communication preferences?"

<table>
<thead>
<tr>
<th>We do not proactively contact customers about their preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders: 3%</td>
</tr>
</tbody>
</table>

Base: 23 Laggards, 64 Strivers, and 31 Leaders
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009
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Figure 10: Leaders Rely Heavily On Preference

“How do you decide which medium to use when communicating with customers?”

We base it on customer-stated communication preferences

<table>
<thead>
<tr>
<th>Group</th>
<th>Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>90%</td>
</tr>
<tr>
<td>Strivers</td>
<td>73%</td>
</tr>
<tr>
<td>Laggards</td>
<td>53%</td>
</tr>
</tbody>
</table>

Base: 55 Laggards, 64 Strivers, and 31 Leaders
Source: A commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, April 2009

Develop Your Organization’s Customer Preference Maturity

Given the benefits of embracing a preference management approach — improved customer satisfaction, better campaign results, improved retention rates, and better return on marketing investments, it is worthwhile to explore steps that organizations can take to improve their customer preference maturity. Forrester recommends that firms:

- **Evaluate current preference maturity.** Organizations should use the maturity level scorecard to assess their maturity and identify areas for improvement (see the companion document “Customer Preference Management Maturity Scorecard”). Forrester recommends distributing the scorecard to all groups that communicate with customers to identify differences that may exist throughout an organization in the approach to communicating with customers.

- **Assess legal requirements/exposure.** Marketers must work with their legal counsel to ensure that they are compliant with relevant laws ranging from CAN-SPAM to the TSR. Request a marketing champion to monitor legal changes and help marketing adapt practices in time to remain compliant.

- **Determine organizational readiness to evolve on the maturity scale.** Technology and organization are the two most common barriers to how firms mature in relation to customer preferences. Consider working with service providers if your IT team doesn’t have the skills or resources, and work with an individual business unit before tackling the entire organization if the political landscape resembles a minefield.

- **Start small and build on your progress.** If necessary, begin with individual programs, channels, or business units. Continually measure, track, and communicate your progress, and use a variety of metrics to demonstrate improvements, such as better response rates, improved customer satisfaction, lower opt-out rates, or fewer complaints.
Appendix A: Methodology

In this study, Forrester conducted a phone survey of 150 organizations that sell to consumers in the US to evaluate how they approach customer communication preferences. Survey participants included decision-makers responsible for customer communications in marketing, customer care, fraud, and collections departments. All respondents represented companies with more than 1,000 employees in consumer-focused industries. Respondents were offered a gift certificate as a thank you for time spent on the survey. The study was conducted in April 2009.
Appendix B: Supplemental Material

Related Forrester Research
"Defining An Enterprisewide Customer Contact Strategy" by Dave Frankland, October 22, 2008

“Proactive Outbound Notification Saves Money” by Elizabeth Herrell, February 18, 2009

Related Commissioned Research

“Proactive Customer Communications Promote Closer Customer Connections,” a commissioned study conducted by Forrester Consulting on behalf of SoundBite Communications, September 2008.
Appendix C: Endnotes

1 For more details on customer contact strategies, see Forrester’s “Defining An Enterprisewide Customer Contact Strategy” by Dave Frankland, October 22, 2008.

2 Sixty-nine percent of respondents cited “customer-stated communications preferences” as a factor in deciding which medium to use when communicating with customers. Sixty-two percent cited “anticipated ROI,” 53% said they have “dedicated communication vehicles for set activities,” 51% cited “historical spending,” and 45% cited “media-mix modeling.”