



Making Customers More Revealing by AMitchell

Making customers more revealing

By Alan Mitchell

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When the UK market research company CCB FastMap asked consumers which method they most wanted companies to use when communicating with them – e-mail, phone, letter and so on – 63 per cent ticked the box that said “Not at all”.

Even where consumers have an existing relationship with a company, 23 per cent prefer not to have marketing communications from it. The rate rises above 50 per cent for some large utilities and banks. Consumers are also increasingly unwilling to divulge data. The same research found that 86 per cent of consumers routinely tick the third party opt-out box when providing personal information. “People have become less happy about revealing information and especially allowing third parties to share it,” says David Cole, managing director of CCB FastMap.

This was not what customer relationship management was supposed to deliver when it was first touted in the early 1990s.

The more data companies could gather about their customers, it was argued, the deeper the insights they would generate. This would lead to longer, more profitable relationships. Instead, many companies have found themselves stuck between a rock and a hard place. On the one hand, most organisations’ transactions with their customers are too limited for them to get an accurate picture of their motivations and any data they gather quickly goes out of date. On the other hand, subsequent attempts to fill these holes by gathering more data simply intensify concerns over intrusion.

A research project in vendor relationship management at Harvard University Law School’s Berkman Center for Internet and Society has suggested a way through the impasse. The core idea of vendor relationship management (VRM) is simple: the more empowered individuals are when it comes to managing and using personal data – including the ability to manage their relationships with vendors – the greater the benefits to both sides.

“In the future, customers will come armed with many tools they don’t have now,” says Doc Searls, co-ordinator of Project VRM. “They will have personal data stores that help them to maintain and control much more data and to share much more data – but on their terms.”

As individuals increasingly use digital data to organise and manage their lives, they will demand software tools and services to help them gather, store, protect, analyse and use this data efficiently.

Over time, a personal data store will create a rich picture of an individual’s life. So instead of many organisations each trying to construct their own restricted view of their customers, they could negotiate permission to access relevant parts of individuals’ data stores.

Meanwhile, new technologies such as infocards (which create a secure “pipeline” for two parties that want to share information online) make it possible for customers to “co-manage” customer databases. Addresses and

contact details can be updated in advance, so that organisations do not discover that the change has taken place too late.

Together, personal data stores and volunteered personal information could strip huge amounts of waste out of marketing by letting organisations communicate with the right customers about the right things at the right time.

The price of these benefits, however, is that customers will have the power to deny organisations access to personal data.

“VRM turns the relationship between organisations and customers round,” says Mr Searls. Project VRM is instigating research projects at Harvard and other universities to test its hypotheses. It is also encouraging pilots such as the UK-based social enterprise Mydex, which will enable individuals to volunteer information such as “I am moving home” or “I am interested in receiving information about X”.

Vendor relationship management is also stirring interest among mainstream technology suppliers. The Liberty Alliance is a global body that establishes policy and technical standards for digital identity management. Its members include BT, Intel, Oracle, Novell and Sun.

It is setting up a working group to create and integrate policies for the sharing of volunteered personal information.

Brett McDowell, executive director of Liberty Alliance, expects a high percentage of member companies to seek certification for the VPI standard. “If these programmes are put in place, there is no way this won’t change the way markets work,” he says.

Alan Mitchell is a member of the Project VRM steering committee; Copyright The Financial Times Limited 2008

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