Opinion Piece

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The next big thing?

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Abstract

For the last 40 years companies have collected information about consumers, stored this information on their own systems and used it for their own purposes. Now a vast new industry is emerging: personal data management services. Over the next decade, this industry will grow to be much bigger than today's CRM space, and will supplant many of today's CRM and database marketing activities. The foundation of this new industry is the personal knowledge bank. Personal knowledge banks enable individuals to assert ownership and control over their personal data. They will trigger the rise of scores of new consumer services, transforming the relationship between individuals and organisations and the ways organisations collect, manage and use data.

Keywords: CRM, permission marketing, co-creation, database marketing, buyer centricity, marketing effectiveness, marketing accountability

Good news

Pity the poor database marketer! The range of things database marketers have to master is quite daunting, as this familiar list illustrates.

- *Maintaining data quality.* Every day that passes, the quality of the data we hold degrades. For all the industry's immense progress and sophistication, absolute basics such as deceaseds and gone-aways still trip us up.
- *Obtaining a single customer view.* This is a battle cry of the last decade, but we continue to struggle to put legacy product-based data silos behind us and achieve a single view of the customer.
- *Increased consumer resistance.* The general trend is for sophisticated, bombarded consumers to take less notice of marketing messages and, sometimes, actively to edit such messages out of their lives. The scale of the trend may sometimes be exaggerated and it varies by media and circumstance (take-up of the US Do Not Call service is an extreme case). But overall, it means marketers are swimming against, and not with, a consumer tide.
- *Response rates.* Overall, response rates continue to fall as, coupled with the fact of consumer resistance, marketers still struggle to find the holy grail of 100 per cent relevance.
- *Intrusion and privacy.* Public concern over these issues, often reflected in media coverage and/or legislation, increasingly restrains database marketers' room for manoeuvre.
- *Opt-in versus opt-out.* In keeping with all the above, the general trend is towards opt-in or permission-based marketing, creating new

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challenges for would-be communicators.

- *Channel change.* The rise of new direct communication channels such as e-mail and mobile text messaging is forcing marketers to rethink strategies. The most powerful (because most intimate and most commonly used) channels also tend to be the ones where consumer resistance to intrusion is the highest.
- *Guesswork.* Even with all the recent advances in technology, research and analytics, most direct marketers are still working on the basis of sophisticated guesswork: we still do not know which consumers are interested in which messages about which subjects or when. Guesswork is a 'lose-lose', creating waste for marketers and irritation for consumers.

A single 'magic bullet' can address every issue in direct marketing

Astonishingly, it is possible to overcome *all* of these challenges with a single 'magic bullet'. Indeed, not only can this magic bullet ensure 100 per cent communications relevance based on rich, accurate, insight-generating data, it also sidesteps privacy and intrusion concerns while creating huge opportunities for innovation and new growth markets — markets that will eventually become bigger than today's CRM market space.

There is more. The same magic bullet will generate powerful new win-wins between buyer and sellers, engage consumers in the marketing process and allow sellers to identify hot prospects and close sales in such a way that buyers see it as an added-value service. What is more, it will achieve these laudable goals at lower cost. So what is this magic bullet and how does it work?

But it involves handing over ownership and control of personal data to individuals

Personal knowledge banks

Personal knowledge banks give individuals ownership and control of (and responsibility for) their own personal data. They help individuals to gather, access and use these data as efficiently and effectively as possible. Personal-knowledge-bank-based services see data and databases from the consumer's point of view, treating them as consumer assets whose value and potential consumers naturally want to maximise.

Thanks to the digital revolution, personal data management services are already emerging as a new consumer 'must'. Simply managing the growing range and volumes of digital data across a broadening range of digital devices, whether these are digital diaries and contact databases, e-mail records or downloaded music, is already become something of a headache for individuals. New regulatory requirements are adding to this impetus. For example, within the UK new legislation requires every would-be house seller to compile a comprehensive home information pack to be made available to prospective buyers. Creating such an information pack and validating the data within it promises to be a major headache for consumers. But within such headaches lie the seeds of a new service industry that will change the way companies and individuals interact.

Fully fledged 'mature' personal knowledge banks will include:

- personal administrative and demographic data (eg name, address, occupation, National Insurance number and tax references, etc)
- personal network and organisation data (diaries, address books, etc)
- cumulative transaction and interaction records (purchase histories, customer service logs, correspondence) across the full range of consumer ‘departments’ such as home, health, transport, communication and personal finances
- personal libraries (eg ‘my personal music/photo library’)
- personal preferences and future plans (eg ‘my next summer holiday’; ‘my home improvement project’).

Personal knowledge banks promise richer, more accurate data

Individuals will use personal knowledge banks to streamline the organisation of their everyday lives, to interact with suppliers of goods and services, to interact with like-minded people and peers facing similar situations or problems and as a tool to help them reach their own personal goals.

Over time, the data available within these personal knowledge banks will become richer, deeper and more accurate than the data available within organisations, and will become one of the main interfaces between individuals and organisations, transforming both the content of their interactions and the processes used. Where individuals wish, or are incentivised to do so, they will make selected portions or layers of these data available to organisations — on terms set by themselves or their agents. This will not eliminate the need for large organisational datasets. But it will change how they are used.

Personal knowledge banks therefore rest on three core notions.

- Personal data are something that individuals will own and control, if only because this helps them to achieve their own purposes more efficiently and more effectively.
- These data have potentially multiple uses and users which are better managed in a coordinated way.
- To achieve desired outcomes these multiple users only need access to limited portions of the overall database — which in turn requires multiple, purpose-specific permissions.

One way of understanding how personal knowledge banks will work is by way of an analogy with a city. In a city there are some spaces, such as public parks, where you go about your business and remain anonymous. There are other spaces, such as the road where you live, where you are likely to be recognised when you make a public appearance. Inside your office, there is mixture of ‘public’ and ‘private’. Inside your home, you are in a private arena: you only allow other people in if they are invited, and once they enter they are expected to keep to your rules. Finally, there are secure and ‘secret’ places like bank vaults, where sensitive personal information is kept away from prying eyes.

Personal knowledge banks will contain all five levels of data: from data that are required to be public by law (such as Census data), to data that are shared with some people (eg transaction data that are held by both the

individual and the supplier), to private data that are the individual's to disclose.

Also, like a city, personal knowledge banks will have their own districts or regions. London has its Chinatown in Soho, Harley Street (for the medical profession), Hatton Gardens (jewellers), the City as a financial district, Leicester Square as an entertainment centre, Oxford Street as a focal point for shopping and so on. Likewise personal knowledge banks will have their own 'districts' which correspond to individuals' life 'departments', such as health, money, home, leisure, work, transport and communications.

A natural starting point, perhaps, is the emergence of many separate, specialist PKBs focusing on particular personal departments relating to, say, home, health or personal finance. For example, it is in the interests of all health-related product and service providers to have access to a complete set of all the health records/information of an individual (subject to data protection laws and that individual's permission, of course). This 'single customer view' might include core data about the individual (age, blood type, National Insurance number etc); medical, ailment and treatment history from different providers (eg the UK's NHS, dentists, opticians, private health providers, alternative therapies etc); lifestyle factors such as diet, exercise regime and occupational stresses; life assurance details; and relevant family medical history.

Having a single, holistic bank of health data (subject to appropriate security/access controls) is certainly in the interests of the individual. (This fact seems to have been lost in the design of the NHS's multi-billion pound 'electronic patient record', which has chosen to focus on internal efficiencies of the NHS rather than the more holistic requirements of the individual patient.) But it also provides product and service providers with a genuine 'single customer view' for the first time: that is, a view of the customer's circumstances and needs based on that individual's transactions with *all* providers in the category and the customer's own stated preferences and priorities, and which is not constrained or coloured by the boundaries of any single organisation's transaction histories or customer profiles.

In future, then, individuals may own several 'departmental' PKBs. But there is so much potential data overlap between departments — and so much need for communication and connection between them — that single mega-PKBs may emerge. Or else different tiers of PKB may emerge with one level offering a common 'platform' of information and other levels, perhaps operated by separate specialists, adding detailed 'departmental' information.

Unleashing the power of personal data

What, then, are the potential uses of PKBs? Added-value personal information management services are effectively a new market. Here are just some of the potential applications.

- *Simple convenience and service richness* for individuals in the collection, storage and use of personal data.

**Making genuine
'single customer
views' possible**

**A huge new market
for personal
information
management services**

- *Community creation.* PKBs may well become the springboard of new communities and peer-to-peer services. The PKB service provider may look for people with similar attributes/experiences to compare notes, provide each other with advice, etc. Likewise, PKBs could become a convenient platform for connecting with peers and family members to share information, find connections and realise aggregate value.
- *Solution assembly.* To help individuals manage complete ‘life departments’ such as ‘my home’ or ‘my personal finances’ better, any solution assembler would need access to all existing transactions and relationships, and the individual’s personal context and priorities. PKBs provide the necessary information infrastructure for such services.
- *Facilitation of digital purchases,* eg automatic population of online transaction forms, proof of identity, mechanisms for anonymous purchases via a PKB service provider etc. An early experiment in this was from Securicor’s SafeDoor concept, where all customer details (including credit card number etc) was held by SafeDoor, which then conducted the transaction on behalf of the customer. In this way, customers could ‘hide behind’ the façade of a third-party agent in transactions if they wanted to.
- *Facilitation of digital sales.* To sell a car or a house nowadays individuals need to provide prospective buyers with a record of services, repairs and maintenance, etc. The UK government is planning to make it compulsory for house sellers to provide this sort of documentation for buyers. By collecting and storing these data in digital form, PKBs will facilitate these processes and many more like them.
- *Personalised recommendations,* such as the ‘If you liked this, you might like that’ suggestions already offered by Amazon. Amazon’s recommendations are based only on the customer’s transactions with Amazon. A PKB would offer a much richer, rounder dataset as a basis for even more finely tuned recommendations.
- *Better, more appropriate advice.* To give ‘best advice’ an independent financial adviser needs a full and accurate overview of his customer’s financial affairs, ideally including all the customer’s financial transactions and relationships. PKBs would ‘naturally’ provide these data, making the provision of expert advice simpler, cheaper and richer. A spin-off benefit would arise in this and other areas in that the provision of audit trails would be a built-in capability of a PKB — imagine how much easier it would be to unpick the misselling of a financial services product if a good record of the transaction and the circumstances surrounding it were stored in the individual’s PKB.
- *Personalised and customised products and services.* If a supplier is allowed access to an individual’s current category information — say, ‘my current personal computing hardware, software and peripherals’ — that supplier is in a better position to solve problems and construct ‘best next purchase’ suggestions.
- *Targeted marketing messages.* It is a common complaint among

**These new services
will transform direct
marketing
processes . . .**

advertisers that they invest too much money in communicating to the wrong people. It is an equally common complaint among consumers that they are always being hassled by advertisers who push irrelevant messages at them. PKB-facilitated targeted messaging could eliminate this mismatch. It would work like this. The individual notifies his PKB service provider of his willingness to receive messages about a particular category/subject during a specified time frame. Those suppliers fitting these criteria are allowed access to certain pre-specified, relevant data fields within the PKB. They then use these data to create tailored, targeted offers which they know are relevant to the consumer in question. As the suppliers know that they are in a competitive pitch for some real business then their 'best offers' will be forthcoming. In this way, waste can be turned into value for both sides.

- *New go-to-market processes.* This is a twist on targeted marketing messages. Here, the individual signals his/her intention to buy X or do Y and asks for 'tenders' for the business. The benefit for sellers: pre-emption of existing go-to-market mechanisms. For example, if an individual signals his intention to buy a car or holiday some time over the next two to three months, sellers monitoring such signals from PKB service providers can communicate with the individual and perhaps close a transaction before other sellers even know the individual is coming to market.
- *Market research.* PKBs represent a potential gold mine for market researchers looking for correlations between, say, product portfolios, consumer demographic and other attributes, and other lifestyle behaviours. Market researchers will have to pay for access to these data (which, remember, can only be accessed with the permission of the individual). But many individuals will be happy to allow such access, especially if it is on an anonymous basis and earns them a little cash on the side.
- *Improve innovation.* Many companies (such as Confetti.co.uk) have already learned that by encouraging individuals to post messages saying 'I'm looking for a product or service that does this, but I can't find one. Can anybody help?' they have access to a rich source of ideas for new products and services. PKBs could easily formalise such a process.
- *Persona management.* Not every individual wants to appear the same to every service provider or seller. Individuals have their moods and modes — hard-working saver; fun-loving, extravagant holidaymaker; concerned parent; fanatical football fan — and may want to present different 'faces' (or even anonymous faces) to different people in the world outside. By choosing which data to make available, individuals can use PKBs to do this.

**. . . and encourage
greater innovation**

Beyond water clock marketing

Seen from the marketer's perspective, the potential benefits of PKBs are also huge.

Many years ago, the dominant and most accurate mechanism for telling

**Today's model of
direct marketing is
inherently limited**

the time was the water clock — a massive, complex and expensive device that was based on the regular drip, drip, drip of water. Water clocks were exquisite pieces of engineering, requiring tremendous skill and craftsmanship and considerable investment. It was not cheap to build a water clock, but at the time it was the best available answer to the time-telling problem.

But eventually water clocks became mere curiosities: or, as economic historian David Landes called them, 'magnificent dead-ends'. To be sure, there would always be a way of making them more accurate at less cost; they always offered some potential for improvement. But compared to other, alternative ways of telling the time such as the mechanical (and later, the digital) clock their potential for improvement was *inherently* limited. You would never be able to carry a water clock around on your wrist, for example.

Today's organisation-centric approach to database marketing represents a similar dead-end. Its achievements are immense. Its sophistication, skill and investment are awesome. But like the water clock its potential for improvement, from its current base, is *inherently* limited.

What are these limitations? They are a by-product of the structure, processes and purposes of the industry. First, data accuracy is an inherent and unavoidable problem for today's database marketer because his database is not continually refreshed at source. As soon as any data are captured, they start getting out of sync with the reality they are supposed to be representing. PKBs address this data accuracy issue — at source.

Secondly, even though organisations invest vast amounts of time, money, energy and effort in gathering customer data, their view of the customer is always and intrinsically limited and partial. That is because individual organisations can never transcend the most important silo of all: the organisation itself. Many organisations have worked hard to achieve a single view of their own interactions and transactions with the customer, but this single view does not and cannot include the customer's dealings with other suppliers in the category. For example, most consumers have relationships with a number of different financial services providers (current accounts, credit card, mortgage, loan, savings, pensions, insurances etc): none of these providers has access to the individual's overall financial affairs. This problem can *never* be addressed so long as separate organisations, rather than individuals, are the main interaction and transaction data collectors. *Ultimately, the only entity capable of delivering a single view of the customer is the customer himself.*¹

Thirdly, organisations' attempts to crack this problem by collecting ever more data about customers from an ever wider range of sources simply leads them into another dead-end: that of intrusion and privacy.

Fourthly, intrusion and privacy are problems because individuals' and organisations' intended use of the data are not aligned. Marketers want to use data in their search for profitable customers and sales. Individuals want to use data in their search for best value from the marketplace. The connection between these two purposes is only partial. Marketers are not

acquiring or using customer data to solve the individual's problems; they are using these data to solve their own problems.

Fifthly, the way database marketing currently works, it is not under the control of the individual. The individual has no say over what messages he receives, about what or when. This has two important drawbacks. First, for many consumers, control is an important value in its own right. Second, it places the consumer in the passive position of 'audience', 'target' or 'message receiver' when, to maximise the potential of information, individuals need to be active participants in the process.

**Volunteered data
turns guesswork into
knowledge**

This second drawback is more important than it may seem at first sight: water clock marketing revolves around collecting information *about* consumers while PKBs also collect information *from* them. The voluntary nature of this data input is the critical ingredient that turns informed guesswork (perhaps sophisticated, data-driven guesswork, but nevertheless guesswork) into real knowledge.

**... and reveals future
plans as well as
historic behaviour**

Take just two examples. Volunteered data can include current plans and intentions, such as 'I am planning to move house, get married, buy a new car, or go on a world trip some time over the next six months'. Currently, the earliest most marketers get to know about such plans is via some early-warning 'trigger' event — which usually happens *after* the plans have already been formulated. In other words, only volunteered data can let marketers *know* they are connecting with potential buyers about the right thing at the right time.

This second aspect — timing — is another crucial plus of volunteered data. Currently, database marketing works on the basis of guesswork about when a particular consumer is likely to enter the market for a particular product. Volunteered data, issued via the mechanism of the PKB, can replace this guesswork with 100 per cent certainty. You know, because the consumer has just told you, 'I am looking for an X'.

A third aspect of volunteered data is also worth mentioning: change. Information collected about people always starts getting out of date the minute it has been collected. Information volunteered by people is always up to date with any changes that might have taken place in that individual's interests, circumstances or preferences.

Finally there is cost. Building and using customer databases are an expensive business. Some of this cost needs to be incurred anyway, for operational and legal reasons. But much of it is incurred unnecessarily: when every organisation is building its own separate customer database there is endless duplication of work. The PKB offers a way round this duplication by putting all relevant customer data in a single, accessible repository.

Whether it is administrative burdens, problems relating to relevance and response rates or issues relating to intrusion and privacy, if we stand back a little we can see these problems are all inevitable by-products of the organisation-centric purposes, processes and structures of database marketing as currently practised. PKBs simply sidestep these problems and issues. Their 'magic bullet' status follows from the simple fact that they start from a different place, using different processes to achieve different — though parallel — purposes.

Practicalities

Does that mean PKBs are problem free? Hardly! They may be a, if not *the*, next big thing in database marketing. But they also create many new challenges of their own. Some of the most important challenges are outlined here.²

First, who is going to do it? There are many potential candidates. They include:

Many different players are converging on this new market

- ISPs, computer, software and telecoms companies wanting to capitalise on existing relationships, technologies and interface services
- ‘nodal’ service companies whose core expertise lies in a particular consumer department, such as health or personal financial management
- ‘nodal’ government departments, such as the UK’s National Health Service (PKBs could create a potentially perfect ‘fit’ with UK government plans to introduce identity cards *if* these plans took a more enabling/entitling approach than the security-centric one currently being proposed)
- marketing agencies that see ‘the writing on the wall’ for existing advertising, direct marketing and customer relationship models
- businesses that already manage large volumes of personal data, eg banks, major utilities, credit check agencies and customer data processors.

But only a few succeed

But users must be able to trust providers of PKB services implicitly on a number of fronts: security (confidence that the data will not be accessed by unauthorised intruders); privacy (confidence that the provider will not access or use the data for purposes the individual does not approve of); and service. To succeed, PKB providers will need to act primarily as agents of the individual, helping individuals manage their data for their own purposes, constructing win-win relationships with sellers on this basis. This is not only an operational departure for many organisations, it is also a major mindset shift.

In addition, any would-be PKB service provider must be able to offer easy, hassle-free intuitive use — simplicity and ease which hides enormous complexities and technicalities behind the scenes. This requirement of ‘simplicity from complexity’ is a notorious graveyard for many service providers.

Data standards (to enable efficient data sharing), data validation (how do we know these data are correct?) and data integration (seamlessly combining data feeds from many data sources) are among the key technicalities. And there is a steep learning curve around permissions management: organising tiered and conditional third-party access to defined data fields in an efficient way that adds value for both individuals and organisations. Plus, of course, constructing the right business model: who pays the costs and how will they benefit?

**A new direction, new
value opportunities**

Summary and conclusion

Currently PKBs represent a white-space market opportunity. While CRM represents a high point in the organisation-centric use of personal data, PKBs mark a point of departure, in a new direction.³ They are one enabling technology within a longer, broader shift in the commercial environment from ‘push’ to ‘pull’ processes; from ‘seller-’ or ‘organisation-centric’ to ‘buyer-’ or ‘person-centric’ value creation.

Historically (in information and knowledge management terms), producers created value by applying accumulated knowledge about raw materials, technologies and processes to make things. They then distributed information about what they had made to potential customers in order to organise and stimulate demand (‘marketing’).

Today, the centre of information gravity is shifting. Increasingly, effective value creation starts with gathering knowledge about the specific shape, nature and extent of demand from individuals and organising the provision of products and services accordingly. ‘Bottom-up’ and peer-to-peer flows of information are increasingly complementing and supplementing ‘top-down’ flows of information, and the individual’s role is changing — from ‘consumer/audience’ to ‘specifier’.⁴

PKBs both reflect and accelerate this trend. By addressing both individuals’ and organisations’ data needs they create new win-wins between them while offering a ‘way out’ of database marketing’s current, inherent, limitations.

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