Internet Retailing

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PROTECTING PERSONAL DATA WHILE ENHANCING CUSTOMER ENGAGEMENT

How to manage PII and boost loyalty and retention

A white paper produced by InternetRetailing in association with Akamai Technologies I April 2020

EDITOR'S INTRODUCTION

Retailers need to develop ever-closer relationships with their customers in order to win their spend and improve loyalty. Many are increasing investment in personalised retail efforts and structured loyalty programmes to help to achieve these goals. By better identifying their customers, as well as their individual needs, retailers are able to target them more specifically, boosting their propensity to spend in the process.

Yet it's become harder than ever to meet these goals. Privacy changes have impacted how retailers collect and store data, while consumer awareness over the role of data is also making them more aware of the value of the data that they can choose, or refuse, to share. Protecting personal data is key.

Today, loyalty is built through many avenues. Traditional loyalty schemes go beyond mere points and prizes, with retailers often investing resources to engage consumers emotionally by offering unique, relationship-building experiences or services.

Think of John Lewis and its members-only shopping events and experiences, or Pets at Home's VIP scheme, which offers a range of benefits including one that aims to engage through empathy by allowing members to raise money for animal charities of their choice.

Today, loyalty must be driven by offering what the customer wants, when they want it. It's about building a relationship, not just a programme, so that the brand is top of mind for customers and that they are recommending you to others. But such a relationship requires knowledge. And knowledge requires data.

So how have new privacy regulations impacted on retailers, and how are they operating in this new age? In this white paper, supported by Akamai Technologies, we look at how retailers and brands need to carefully manage their data and put the right protections in place, enabling them to be safe guardians of their customers' PII while also delivering the frictionless loyalty programme experience their customers expect. Any strategy also needs to drive up KPIs such as revenue, retention and conversion.

We examine the challenges of collecting and storing data, explore how retailers are interacting with their data, look at what this means in a commercial operation and ask where retailers need to go next. ■

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IF YOU CAN'T PROTECT IT, DON'T COLLECT IT

MAYUR UPADHYAYA
Global senior director,
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Customer expectations have changed. Consumers expect a simple and frictionless registration experience online or instore. If they create an account with a brand they expect to only create one account, not a different one per line of business or campaign. If they choose to bring their own identity, they should be enabled. Any information they disclose, they expect to be protected. If they trust retailers with a password or any personal data, this can never be breached.

Consumers need to trust retailers not to abuse, lose or misuse their data. It's an exchange of trust.

The identity challenge that companies face has driven the growth of the customer identity landscape. The growth of the digital economy; the number of users, number of mobile apps, websites, connected things etc. has meant a proliferation of identities.

And that creates a new challenge for retailers that are driving user experience. How do you market to the customer that is engaging with your brand and achieve that digital transformation goal of marketing to one, rather than pumping out generic blanket messages?

Personalisation and context can lead to improved service, cross-sell and upsell opportunities which can drive top-line revenue. But it relies on knowing who the customer is, all the while ensuring that they comply with their new responsibilities around data governance, such as the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA).

Retailers have to get serious about their data. We are seeing retailers auditing what they currently have today, looking at managing the silos of customer data, and understanding how they can expand governance. We are helping them by delivering solutions that can accelerate this process. We help to improve the security of customer interactions and protect the Personally Identifiable Information (PII) that is held.

Retailers must balance two business goals. They must understand their customers better by collecting more information on them, but they must keep such data safe to ensure their customer's loyalty longer term.

Essentially they must manage both the customer's expectations and their own responsibility around data, ensuring three key things. Firstly, security - making sure that data and trust is protected. Secondly, identity - enabling customers to have control and choice over their profile data. Finally, privacy - once they have that data, they must not breach the trust placed with them.

Put simply if the data cannot be protected, it should not be collected. ■

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ABOUT AKAMAI

Akamai secures and delivers digital experiences for the world's largest companies. Akamai's intelligent edge platform surrounds everything, from the enterprise to the cloud, so customers and their businesses can be fast, smart, and secure. Akamai's portfolio of edge security, web and mobile performance, enterprise access and video delivery solutions is supported by unmatched customer service, analytics and 24/7/365 monitoring. Website: www.akamai.com

Collecting and storing data: How the focus has become more targeted

As retailers seek to develop a better customer experience in order to retain an increasingly fickle consumer, the need to increase investment in loyalty and personalised retail has rarely been more pressing.

Loyalty is a valuable commodity. Not only is retaining customers cheaper than acquiring them but it also aids word of mouth marketing. According to The Truth about Customer Loyalty, a report published by KPMG last year, 86% of customers will recommend to others a brand they are loyal to. KPMG also suggests that most mature brands derive more than 85% of their growth from their most loyal customers.

Yet many retailers and brands stick to basic loyalty programmes that do little to exploit the potential that getting the right data, especially combining online and offline spending habits, can bring. Retailers need to find the right way to emotionally engage their customers and they need data to do that.

In our reader survey, 93% of respondents said that customer data was either vital (43%) or very important (50%), to their commercial planning, in order to power loyalty, personalisation and promotions.

Rachel Glynn, head of ecommerce at Radley, says that without a focus on building loyalty, retailers simply can't compete. "For brands to stand out in the online age, where everyone can easily search for the most compelling offer on price, brand is what sets us apart and allows our customers to put their trust in us," she says. "Loyalty is really the bringing to life of a brand promise."

"No two customers are the same and the more available technology becomes to identify a customer's preferences, the more personalised we should make their experience," she adds. "No one wants shopping to be difficult, so intuitive personalisation is what we should all be striving for to make the customer experience as seamless as possible."

> "No two customers are the same and the more available technology to identify a customer's preferences becomes, the more personalised we should make their experience."
>
> Rachel Glynn, head of ecommerce, Radley

BUILDING A LOYAL CUSTOMER BASE

Retailers are increasingly using more sophisticated loyalty techniques to build customer relationships, encouraging offline shoppers to enable them to track their movements online too, thus allowing them to build a fuller picture of their spending habits. "Retailers are increasing their investments in loyalty programmes because they are tracking and realising the ROI that they can achieve through these programmes," says Tara Bartley, senior manager, industry marketing at Akamai Technologies.

However, the data that retailers are now collecting to enable this is changing, driven in part by regulation as well as changing consumer preferences. "One of the biggest challenges is that consumers don't want to spend long signing up for a loyalty programme," says Bartley. "They want the process to be quick and easy, so retailers have had to adapt to that."

She notes that increasingly, retailers are capturing data more easily through the process of a sale, initially collecting just the basics during the sign up process, then supplementing this with additional detail later on.

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This is true of Pets at Home, which offers an initial 10% online discount code once a customer signs up and a follow-up discount to use in-store following their first purchase. Once purchase data is added to the basic profile, retailers and brands are able to better-target their offers based on this extended dataset.

But of course, retailers have also had to change data collection and storage processes. New privacy regimes such as GDPR, which came into force in 2018, and CCPA which came into force at the beginning of 2020, have meant a new focus on data, especially since the definition of personal information now includes data that was previously considered anonymous.

It's now essential that retailers have the correct protections in place that allow them to provide a greater transparency about how they are collecting, storing and using data from their customers.

"There are many challenges in terms of GDPR and CCPA," says Bartley, "and they are not unique to certain regions. Regulatory compliances are global because many retailers are selling globally. Retailers need to revamp many of their internal systems to ensure that they are complying with new regulations." ■

93%

say that customer data is important to commercial planning in order to power loyalty, personalisation and promotions

Interacting with the data: Why having clear purpose is now vital

Traditionally, retailers captured huge amounts of consumer data, even when they didn't have a properly defined purpose for it. Recent regulatory compliance changes have shifted that trend, forcing retailers and brands to better justify and be transparent on collection, storage and use. They have also heightened consumer awareness of the power they hold over their own data, and whether they even want to share any of it.

Yet even if the likes of GDPR hadn't happened, collecting everything was never going to be sustainable, since this deluge of data overwhelmed retailers. Mayur Upadhyaya, global senior director, Identity Cloud at Akamai Technologies, says things are changing. "Typically now, rather than asking for first-party data, retailers are doing more around preferences – the things that are meaningful around the experience," he says. For example, this could be collecting information around products the consumer likes or their payment preferences. This gives retailers a clearer reason for collecting. "Everything seems to have an action assigned to it now, rather than just collecting more data," he says.

> "Everything now seems to have an action assigned to it now, rather than just collecting more data."
>
> Mayur Upadhyaya, global senior director, Identity Cloud, Akamai Technologies

The benefits of this more targeted data collection and interaction are twofold. Firstly, it means that the retailer does something tangible with the customer data. Secondly, it helps retailers to better engage the customer by enabling them to provide new levels of service and experience based on the sharing of that transaction data.

"Once you have that transactional data, you can change the way you target," says Upadhyaya. "You can now do segmentation based on propensity with better targeting, giving customers the right thing at the right time versus the scattergun approach of other types of segmentation."

OVERCOMING THE CHALLENGES OF DATA, SCALABILITY AND CROSS-SYSTEM COMPLIANCE

One of the biggest challenges of interacting with data is ensuring that the data is clean in the first place. Upadhyaya notes that for brands dealing with historic data that may not have been properly collected, or has been collected through third parties, this is one of the biggest challenges. "Most brands do have a big set of bad data and that becomes an issue," he says. He cites how a data cleansing exercise for one of Akamai's retail customers showed how many of their customers had used false identities in order to get access to the specific loyalty scheme or benefit they were after.

And of course, trying to extract useful data through investments such as machine learning and AI, which all rely on data, will never work if most of the data is false in the first place.

As well as ensuring clean data, retailers also have to be careful about how they are managing access to their data, especially when it comes to cross-system compliance. "That's a really big risk for retailers and there's a lot of over-exposure of data," Upadhyaya says.

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"What we see is brands copying that data from one system to another. So the data comes in using a secure identity solution, for example, then the retailer is copying that into their CRM, into their CMS and into their email system. Very quickly, you've got data coming in through a very sensitive format being copied to a bunch of different systems. This creates a data security concern because you are exposing that risk."

Upadhyaya advises that instead, retailers look at how to use and process the data according to segments, rather than as an entire profile. "That first-party data shouldn't leave that system. For example, it's not useful for a customer's date of birth to leave that secure system to go to an email provider just so that I can get an email on my birthday. What's more interesting is that the data is segmented so that it says I'm age 40-45." ■

Commercial operation: How privacy changes have impacted data collection and use

In the previous two sections, we looked at the challenges of collecting and storing data and the issues retailers face in interacting with it, now that modern privacy protection regimes have been put in place. But how well are retailers actually using their data to deliver the commercial objectives we referenced earlier?

In our survey, we saw how important almost all retailers felt data was to their commercial planning. Yet it seems that confidence in their abilities is somewhat lacking. Only 14% felt that they were standing out in terms of the strength of their customer data capabilities, compared to their competitors. Half (51%) said they were similar and 16% felt they were falling behind, with the latter largely blaming a lack of budget and resource. "We know enough for day-to-day trading decisions but little that gives us strategic insight," said one respondent.

We also asked to what extent GDPR provisions have affected retailers' data gathering and use. Here, results were mixed. A third said it had impacted them negatively. Complaints ranged from losing historical data to the increase in constraints and the time required to be nimble after the changes. "It takes longer to bring in new UX features and undergo a loyalty programme revamp etc," said one respondent.

Others felt it hadn't impacted them at all (45%) or were positive about its impact (22%). "The way we use the data from our customers has been limited since GDPR but that hasn't been a concern for us," said one survey respondent.

Indeed, many of those questioned said that the advent of new privacy regulations, and the greater protections required, had been a useful prompt. "It's a reminder to take great care of all customer information," noted one respondent.

For many, the cleansing of records has improved targeting and the value of the data they hold. "We feel that the stricter rules around GDPR create longer lasting relationships with more value," said one respondent. "We had a lot of records on our database which were unresponsive, so it's been a good opportunity to cleanse our lists and develop an offering which offers real value to our subscribers, resulting in better response and conversion."

> "GDPR is a reminder to take great care of all customer information."
>
> Survey respondent.

HOW TO OPERATE MORE EFFECTIVELY ONCE PROTECTIONS ARE IN PLACE

That's not to say retailers aren't still concerned about security and access to data. Indeed, their new obligations heighten this worry. In our survey, 85% of respondents said that concerns or constraints around data access and/or security sometimes inhibited their activities. Having the right protections in place is vital.

As our study has shown, retailers are changing how they deal with their data in response to the new privacy regimes, and that they are using their data differently. By securing their data and avoiding unnecessary risk, as well as better identifying customers at all points of the customer journey, they are

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also able to better exploit their loyalty programmes and initiatives, driving relationships and, ultimately, sales.

Upadhyaya cites the example of a petrol retailer that moved its loyalty programme from offline to online, offering customers the option of paying for petrol while sat in their car. This move enabled the retailer to offer a new, more convenient service for its customers and one which also encouraged them to sign into the app and loyalty scheme online. Not only did this improve operations, it also allowed the retailer to add richer data to its knowledge of its customers.

"Once you've got the ability to target someone digitally through a loyalty scheme, it drives increased consumption and loyalty because they are targeted more specifically," says Upadhyaya. ■

85%

say that concerns or constraints around data access and/or security inhibit them

Where next: Exploring the potential to thrive

In this white paper, we have examined the collection and storage of data by retailers and brands. We've looked at how they are interacting with their data post new privacy regimes and how that translates into commercial efforts to boost loyalty through both structured programmes and personalised retail that encourages relationship building.

The KPMG report referenced earlier suggests that there are five phases of loyalty programmes and that all are reliant on an increasing amount and sophistication of data to evolve. Retailers can start with point-based loyalty cards that simply allow access to purchase-related data. They can then move through the phases to the ultimate in loyalty programmes – one that KPMG says offers enhanced convenience under one ecosystem, allowing the ability to offer integrated experiences between online and offline channels and tracking the entire consumer behaviour inside the ecosystem. In truth, not many retailers have reached this stage five yet, although it something many are striving towards.

Protecting personal data is key to loyalty programmes. Customers need to trust retailers' abilities to be good custodians of their data before they will consent to sharing it. Once retailers can prove that they are, their efforts in building loyalty will drive up KPIs such as revenue, retention and conversion as they change the level of engagement with consumers from traditional above-the-line promotions to more targeted communications specific to the individual needs of each customer.

"As you start to create that relationship with the consumer, you can get to the first level of targeted communications, whether that's instore or at home," says Upadhyaya. "Then once you add transactional data, you can start to build out historical segmentation. From a business point of view, there's a huge amount of benefit there because you are getting more efficiency from your marketing spend."

If retailers are then able to move such loyalty schemes to mobile then they build out even richer engagement, since retailers can then do push notifications and work on location-based offers and incentives. "Once you can use contextual information then you can create offers that the consumer will find useful and relevant," says Upadhyaya. "That changes everything because now you are focusing on the right customer at the right time and you are basing that on preference and behaviours. That completely changes the level of engagement between you and the consumer."

There's an added benefit too, he says. "Since that customer has opted in and you are only using segments, you are never going to cross the line of personalisation by becoming creepy, because it's an opted-in experience. It's a huge change in engagement going from wasting 50% of your marketing dollars on above-the-line advertising, versus getting your message to the right person to the right time."

> "There's a huge benefit there because you are getting more efficiency from your marketing spend."
>
> Mayur Upadhyaya, global senior director, Identity Cloud, Akamai Technologies

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GETTING ARMS AROUND THE CHALLENGE

For retailers still looking at how to protect their PII while boosting loyalty, Upadhyaya advises ensuring they have a standalone solution for storing customer data. "It shouldn't be part of something else and attached to their CRM or ecommerce system. It needs to be a standalone place that has a single purpose of storing that first-party data, including credentials. It needs to have levels of security and access and governance around it to make sure that retailers can start to get their arms around this challenge and not see it as a bolt-on to something else."

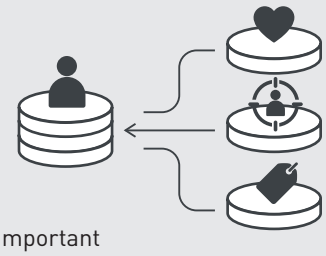
He advises retailers could also improve the data collection process by rethinking how and when they gain consent for data use and being more specific about what they will do with the data. "It's about perhaps not collecting consent at the beginning of the experience. Maybe it's more appropriate to collect it in a more meaningful way for the consumer."

He cites the example of the Cookie Directive, where it became habitual for users simply to accept cookies without reading the privacy options behind them. "That's the danger with privacy controls that come through regulation versus best practice. Retailers need to think, 'What can we do to make this more meaningful for consumers? What can we do to make it part of the customer journey rather than it being habitual and tick box compliant?' It's about how you do it to generate trust and differentiate for you as a brand." ■

Customer data is hugely important for retailers to power loyalty, personalisation and promotions

43%
say it is vital

50%
say it is very important

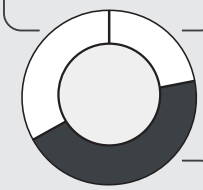


Retailers vary in their views about the impact of GDPR provisions on their data gathering and use

33%
have seen a negative impact

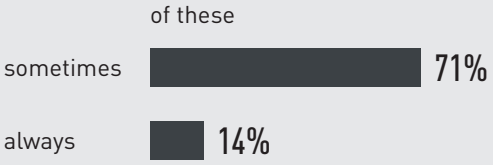
22%
say it has had a positive impact

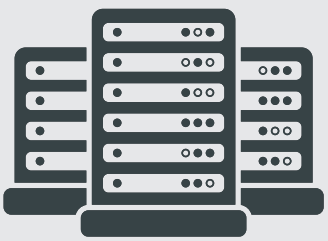
45%
have seen no impact



but concerns about data access and security are impacting what retailers do

85%
of retailers say that concerns or constraints around data access and/or security inhibit their activities





Most retailers feel their customer data capabilities to be average, compared to their rivals

51%

say they are similar

18%

claim to be a little better

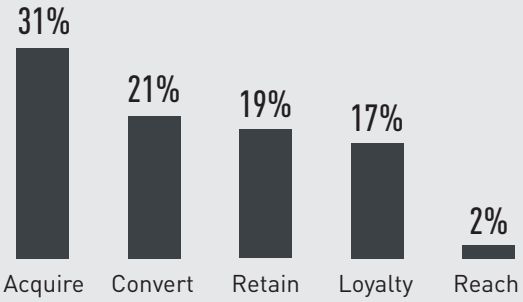
14%

believe they stand out

"We feel that the stricter rules around GDPR create longer-lasting relationships with more value. We had a lot of records on our database which were unresponsive so it's been a good opportunity to cleanse our lists and develop an offering which offers real value to our subscribers, resulting in better response and conversion."

Survey respondent

Retailers have a mix of priorities across the customer data cycle they would like to improve if they had the choice



but they are hampered by three main obstacles

PETS AT HOME
www.petsathome.com

Pets at Home's loyalty scheme VIP is crucial to the retailer getting closer than ever to its customers to better understand their demands and react to new purchasing trends. "It is critical to know your customer, differentiate and tailor your propositions, and the customer experience," explains Robert Kent, chief data officer at Pets at Home. "Our VIP (Very Important Pet) loyalty scheme is massively important to us and with over 5.3m active subscribers we've really come to know what our customers want, ensuring that both pet and pet owner are hearing from us on relevant topics and that the offers we make are tailored to their needs," he says.

It also helps the retailer to personalise its offer to their needs. "Personalisation is something that is so natural in the digital world that many customers now simply expect it without thinking about it," says Kent. "As a retailer with a physical store footprint, it's really important to create a seamless retail experience that is both personalised and convenient. Every pet journey is unique, and we seek to replicate that through our pet care experience with online and offline initiatives such as the VIP Club," he says.

The retailer uses the customer insights it gains from its data to ensure that its customers get the most relevant news and offers from Pets at Home. "This ensures that our pet care expertise is shared across channels – with information and tips on food trends, doggy training and agility classes and the responsibilities of owning a pet."

Kent admits that there can be challenges when collecting data and says that maintaining protection is of critical importance for the retailer. "Regulation has fortunately set the bar high in terms of transparency and data protection, meaning that retailers must have legitimate reasons to collect customer data. At Pets at Home, we view this as an extension of our customer promise; we would never use customer data without permission," he says.

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> It's really important that customers become familiar with how the law and regulation protects them. As this awareness increases, we believe that they will want to shop with businesses that share their values and keep their customer data safe.
>
> Robert Kent, chief data officer, Pets at Home

But as well as retailers California Consumer Privacy Act pay more attention to how their data is handled by retailers. "It's really important that customers become familiar with how the law and regulation protects them. As this awareness increases, we believe that they will want to shop with businesses that share their values and keep their customer data safe," he says. ■

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RETAILER FOCUS

ONLINE4BABY
www.online4baby.com

At nursery goods retailer Online4baby, the company's head of marketing, Andy Jones, says that without putting in the effort, building customer loyalty can't be a given for any retailer.

"Customers now have the ability to research large quantities of products and pricing very quickly and purchase through more channels than ever before," he says. "This, alongside services like free next-day delivery, has resulted in a decrease in brand loyalty as customers are more willing to buy single products from numerous retailers."

To this end, he says that investing in loyalty initiatives helps to drive retention, boosting spend while ultimately also cutting marketing costs. "It will hopefully mean that customers are coming back direct rather than you having to pay to acquire them multiple times through channels such as Google shopping," he says.

He says that getting a winning formula can be tough and that getting the value exchange right to persuade customers to share their data is key. "It's about balancing the need to collect enough data to establish worthwhile segmentation and personalisation with a proposition that is strong enough to encourage customers to give you that much personal data."

His company has made numerous changes as a result of GDPR, such as restricting access to data across the business and establishing processes around regulations, such as the customer's right to be forgotten and informed.

Jones says he is among those retailers who have seen the advent of new privacy regimes as a positive, rather than negative, influence on their marketing. "GDPR actually gives retailers the opportunity to start afresh, clear the decks and develop a communications strategy to a small, more engaged audience."

He feels that this helps drive up results. "A reduced, more targeted customer data set enables you to be more focused in terms of your segmentation and targeting, which will inevitably result in better KPIs." ■

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CONCLUSION

Our white paper has shown just how important data is in building an increasingly personalised retail experience and in boosting loyalty, either through structured schemes or better targeting

It's also shown the vital role of protecting customer data in doing so, especially when taking into account the impact of new privacy regimes such as GDPR and CCPA.

Retailers have to be mindful of how they are interacting with their data, with a clearer idea of what they are collecting and why. They also have to ensure they are using that information securely once they have it. We've looked at data coming into the organisation safely and then being copied across to other systems within the business, which brings unnecessary risk.

Having the right controls around identity and access is crucial. Building loyalty is also about trust and many of the retailers we interviewed have used the new challenges of the likes of GDPR and CCPA, which place new burdens on identity and access, to change their processes and systems and reinforce that trust. For consumers, knowing that they can trust that brand or retailer with their data is key to them sharing more.

Can your customers trust your retail business with their data? ■

10 key strategies for success

1. Loyalty is now about building a relationship rather than just a scheme
2. Driving loyalty requires increased knowledge
3. Knowledge requires data
4. Collect data for a purpose, not just because you can
5. Ensure cross-system compliance once data comes into the business
6. Look at using and processing data via segments rather than specifics
7. Turn data compliance into a positive rather than a negative
8. Once protections are in place, look at how you can drive loyalty further
9. Evolve loyalty schemes to the next stage, integrating online and offline in order to thrive
10. Build trust and reinforce that trust in everything you do

Download at: http://etail.li/protecting-personal-data

With thanks to

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