

Forbes

When Bytes Bite Back



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Thought Leaders

Jun 13, 2018, 05:33pm • 225 views • #BigData

How The Covert Collection Of Consumer Data May Crash Your Cash Flow

I invited Ron Lunde to share some of his insights concerning brand/retailer and consumer relationships in today's markets. Lunde has career experience as a senior executive in wholesale and retail as well as a stint as a SVP at a major advertising agency. I had a few questions for Lunde.

Gary Drenik: What are the “critical issues” facing consumer goods brands and retailers?

Ron Lunde: There is probably not either a singular or a definitive answer, but there are a couple of defining possibilities worth exploring.

First, a technology transition began in the late 60's with the development of the Internet. By 2000 we had smartphones. Sometime around 2006 we had the concept of Cloud computing. Because of that technology journey from the *Impossible to the Inevitable*, it is critical that successful brands and retailers today attract, hold and grow profitable consumers. To do that, a business must be able to serve their consumers better than anyone else—to do that they must know them better than anyone else. Knowing your consumer better than anyone else is the “*new*” *competitive advantage*.

There is now “fluidity” in how digital technology innovation enabled consumers are shopping for brands and where they buy. *Information, at an evolving mega scale, becomes the superordinate variable in the function of consumer markets. Information* balances the buyer/seller equation. Brands must only make what they can sell ... not try to sell what they make. Retailers must only buy what they can sell ... not try to sell what they bought. Consumers in this era of infinite digital information and choice will only buy what they want from sources they trust.

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Second, we are entering a new era of something we might call an “intelligence node” ... Big Data which enables data-rich marketing. Big Data by itself is simply noise ... static. Data-rich marketing technology is the master switch that allows brands and retailers to have access to unprecedented usable consumer insight. Not just a historical view of transactions but also a 360-degree view of a consumer’s past, present and future market interactions. Therefore, brand/retailer/consumer relationships are useful today if they are built on a bits and bytes technology enabled bi-directional communication model, **3Cs** and a **T**, that is **Compelling, Credible, Connected** and—**Trusted**.

Consumers want to compare products, features, price, benefits, etc. before they start the purchase process. 17.6% of retail sales are online across the Asia-Pacific vs. 9.5% in the U.S. In China 66% of online retail sales are conducted from a mobile device. To attract, hold and grow profitable consumers, brands and retailers are globally committed to spend over 1 trillion marketing dollars.

Today over 80% of U.S. consumers have smartphones—tomorrow they’ll have smarter smartphones—the further realization of the impossible to the inevitable. Seven billion humans connect to the internet. There are 2.5 quintillion bytes of data created each day. By 2020, in two short years, 200 billion devices that interact and collect all kinds of additional data will be online. Computers that perform over 200 quadrillion mathematical calculations per second will interact with Cloud based mega data that will be interpreted by the algorithms and AI necessary for instantaneous data-rich marketing. Data-rich marketing cannot read a consumer’s mind, but it can be taught to learn what triggers purchases and why your consumers shop the way they do. A data-rich marketing platform can also significantly change or enable the business models from B2C, B2B or D2C. If data-rich marketing can also help a brand/retailer serve their consumers better than anyone else can—to know their consumers better than anyone else, then from a competitive advantage perspective, to paraphrase futurist William Gibson—the future is already here for brands and retailers—it’s just not evenly distributed yet!

Drenik: Do you foresee any problems for brand/retail data-rich marketing?

Lunde: Yes, when the bytes ... bite back. Marketers are pretty adept at creating compelling, credible and connected marketing programs. But what happens when data becomes too disruptive, too ubiquitous, too invasive? What if the brand/retailer/consumer trust bond is broken? Break the trust bond with the consumer ... your business model gets regulated, like GDPR, or your consumers will simply find someone they think they can—*trust*.

Privacy and Trust

	US 18+	18-24	25-34	35-44	45-54	55-64	65+
<i>How willing are you to share personal information on connected devices?</i>							
Willing...	28.0	37.0	40.1	35.9	25.9	19.6	13.7
<i>How willing are you to allow your personal information to be used for marketing purposes?</i>							
Willing	20.2	27.8	31.1	26.7	19.1	12.2	7.8
<i>Do you trust the companies collecting the information you share are using the data for your benefit?</i>							
Trustworthy	22.2	29.5	30.6	27.2	20.1	15.6	13.5

Source: Prosper Insights & Analytics

Prosper Insights & Analytics provided the above data for an April 2018 presentation at Northwestern University's Retail Analytics Conference in San Francisco.

Drenik: Why are the consumers' willing/trust numbers shown above so low?

Lunde: Quite possibly because of the ... covert collection and manipulation of consumer data.

With frequent news about consumer information data breaches and frequent negative "news" about privacy issues, consumers seem to sense something is not quite right. Governments and consumer activist groups are now active and aggressive. Here are a few recent, current and future regulatory and consumer litigation examples for both Europe and the U.S.

- [Europe's General Data Protection Regulation](#) was effective May 25, 2018. The law states that, "the processing of personal data should be designed to serve mankind." [Non-compliance fines could be in the billions.](#)
- Facebook and Google were hit with [\\$8.8 billion in non-compliance GDPR lawsuits](#) on May 26, 2018.
- Britain is preparing [new laws](#) for consumer data protection.
- Facebook, in a Federal lawsuit, [is facing fines that could cost billions.](#)
- Demands grow for Facebook to [explain its privacy policies.](#)
- On May 20, CBS featured an [expose focused on Google.](#)
- In 2017, Alphabet Google was [fined a record \\$2.7 billion](#) by the EU for abusing its dominance as a search engine.
- *New York Times* reporters just ran a test to see, under existing laws in Great Britain and the U.S., if [they had the ability to obtain personal data companies have on them.](#)

- If the initiative called [the California Consumer Privacy Act of 2018](#) passes, privacy advocates say it will be one of the most meaningful checks in the United States on the growing power of internet behemoths.
- [Google gets bashed in Berlin](#) by activist groups for assumed privacy invasion technology.

Drenik: What is the potential impact of Europe’s new data privacy regulations, GDPR, on data-rich marketing models?

Lunde: Huge, disruptive, expensive ... for those firms that choose not to comply. Compliance is not based on where the company is located but where the consumer is located. If consumers are located in the EU, then digital contacts are regulated by the GDPR legislation. Will the U.S. consider regulation? In late April of this year, [the Fordham Journal of Corporate & Financial Law posted an article about the anti-trust implication of Big Data](#). According to an April 2018 article in *Time* magazine, [“Congress never wanted to regulate Facebook—until now.”](#)

We may be entering an era of “techlash.” Clearly first-party global brand and retailer digital marketers will have to be in compliance. An initial reading of the published GDPR regulations indicates second- and third-party data aggregator business models will be most challenged by GDPR compliance requirements.

Drenik: Are there alternative compliant strategies for data-rich marketing?

Lunde: Yes! Drs. Martin Block and Don Schultz of Northwestern University, both early pioneers in integrated marketing communications, propose that indeed there are significant, helpful data insights that can be gained from GDPR compliant first-party and anonymous first-party data. In a [paper](#), they outline a methodology/strategy/model that will allow both business and brands to deliver useful, targeted information. If you are concerned ... worth a read!

In closing, in an era of data-rich marketing, three thoughts:

1. Compelling, credible, connected content builds relationships,
2. Relationships are built on trust.
3. Trust drives revenue.

Gary Drenik is CEO of Prosper Insights & Analytics, a global leader in “consumer intent” data serving the financial services, marketing technology, and retail industries. www.ProspersInsights.com