



A Parliamentary forum for Media and Marketing Debate

Is protecting customers' data now the core aspect of what makes a business successful?

“Putting the customer at the heart of your business is good for the customer and good for business”. These were the words of Mark Runacus, Chairman of the DMA, proposing the motion ‘Protecting customers’ data is now the core aspect of what makes a business successful’ at the Debating Group debate on 30 October 2017. The debate was sponsored by the Direct Marketing Association and chaired by Daniel Zeichner MP for Cambridge.

Mark Runacus maintained that the motion went to the heart of the DMA’s purpose: to be businesses’ most customer-focused community. He was delighted to see that the motion recognised that customer data does in fact belong to the customer: for too long businesses believed that it was their data. Protecting customer data is important because, in 2017, data is a big deal.

Data is a big deal because it is valuable. The biggest companies on the planet by market capitalisation are data-driven – Apple, Alphabet, Microsoft, Amazon. Data is core to their business models, to their development and to their very existence. Data has been called ‘The new oil’. It certainly fuels modern industry, but unlike oil, our data reserves are growing exponentially with 2.7 Zettabytes in existence today (a Zettabyte is 1 trillion Gigabytes).

Rather than data being the new oil, Mark Runacus preferred to think of it as an organisational glue that binds together the disparate parts of a business, ensuring that it operates effectively. Those successful businesses that are today operating GDPR strategies have found this has brought together every aspect of their organisation to make them much more customer-centric.

Mark Runacus believes there are three reasons why successful businesses protect their customers’ data; competitive advantage; compliance; and trust.

Competitive advantage: An effective and authentic customer data protection strategy allows companies to be transparent with their customers. That transparency fuels greater success in the collection and application of customer data. Customer data becomes much more powerful and that data also makes business systems and processes more efficient.

When companies show that they protect their customers’ data, customers are more willing to share data with them. A study by Columbia Business School showed that up to 75% of consumers will share data with a business that communicates a credible and authentic data protection strategy.

Mark Runacus cited a case from the UK charity sector where a 92-year-old woman took her own life. A contributory factor was alleged to be her feeling over-whelmed and distressed with the volume of calls she was receiving from charities – up to 3,000 in a year. As a result of this, the lifeboats charity

RNLI decided it was only going to solicit donations from those people who had specifically agreed to receive them. This was part of a major overhaul of its data gathering and protection strategy. Their proposition was ‘If we can’t reach you, we can’t reach others’. While the charity expected they would lose £36 million in donations over five years, in fact opt-in rates have exceeded 40%. The early campaigns have achieved triple the response of previous activity and these new opt-in only campaigns have generated triple the previous average donor value.

An Accenture study showed that protecting customer data has multiple competitive advantages: delivering a superior customer experience, greater customer loyalty, identifying new business opportunities faster than competitors and product and service innovation.

Compliance Mark Runacus spoke only briefly on compliance as his Seconder, a lawyer, would focus on this area. He stressed that the compliance process gave structure to an organisation’s data strategy, it reduced risk, it delivered documentation to the core business processes and allowed the company to benefit from shared Best Practice.

Trust Mark Runacus suggested that the single most important factor which proves that protecting a customer’s data is now the core aspect of what makes a business successful is trust. Businesses that have a transparent data protection strategy earn trust.

When M & S reversed declining trust in their brand, the share price increased by 60%. According to Havas Meaningful Brands Survey 2017 ‘share of wallet’ for a trusted or ‘meaningful’ brand is up to nine times higher than for other brands. Trust also drives employee retention and engagement.

CEOs know that trust is vital. A survey conducted by the World Economic Forum indicated that three-fifths of chief executives believe corporate brand and reputation i.e. trust, accounted for more than 40% of their company’s capitalisation.

Customers will pay more for product or service from a brand they trust.

Trust in advertising and marketing has recently reached an all-time low. Mark Runacus maintained that all modern marketing is data-driven, so protecting customers’ data is a vital element in re-establishing trust with consumers.

There is a link between protecting a customer’s data and trust in a company and its brand. In a Deloitte study 80% of consumers said they were more likely to buy from a brand that protects their personal information.

The cost of losing data is significant. A 2017 study from IBM shows the average data breach costs a business \$3.6 million. The same study showed that businesses that lose data lose customers. Mark Runacus cited the costs of data breaches e.g. TalkTalk, Target, Sony.

In a world of declining trust, those businesses which prove they are protecting data, will build trust effectively and authentically and make a positive contribution to society and thrive.

Critical mix

Opposing the motion, **Richard Robinson, Vice President, Cambridge Analytica Commercial**, questioned the word ‘now’ in the motion. He argued that it is not *now* the core aspect of making a business successful. He agreed that protecting customer data is extremely important for developing trust and relationships with customers and building equity. However, protecting data is not an issue that has just come up. It has been an issue we have all been facing, or at least we should have been concerned about for decades. We can go back to the Data Protection Act of 1998 which set out clear guidelines on how we should manage customers.

There are new regulations coming in through GDPR but the principles of this ‘update’ to the regulations should be baked into our business. That said we should be watching the progress of the Data Protection Bill 2017 through parliament to see what the Applied GDPR will be.

Richard Robinson pointed to the dramatic shift in data management. Consumers want to control and manage their own data. Consumers are increasingly looking for transparency on who, how and what data organisations have on them. This will lead to a 180 degree change in who will manage data and how. In the past brands controlled the value exchange with consumers about data. Moving forward this will shift in favour of the consumer.

So, the idea that protecting customer data is only *now* the core aspect of making a business successful makes no sense. Protecting customer data has always been important.

Richard Robinson went on to consider the word ‘core’ in the motion. Protecting customer data is important, but he questioned whether it is *the core* aspect of making a business successful. Searching on the internet for what you need to do to have a successful business came up with 3 million + results. They all broadly stated the same core aspects:

Customers Rank customers. Offer what your customers want. Be customer centric. Put customer service at the heart of what you do.

Employees Empower your employees.

Efficiency Always find ways to keep costs low, drive efficiency across all aspects of the business.

Revenue Get and keep cash flowing. Look for ways to increase profitability. Build that revenue over time.

Learning Test and measure everything to see what works and what doesn’t.

There is not one core aspect of making a business successful. It is a mix of critical elements. When companies get all of this right, they are able to build trusted relationships with their customers and grow their business. They can be successful.

Trust can be absolutely damaged at the drop of hat: the sale of poor quality goods, PR or marketing errors, supply chain breakdown, poor customer service or the loss of customer data. Protecting customer data is part of this mix, but not the core aspect.

Richard Robinson contended that in reality this is yesterday’s debate. Protecting customer data should be Business as Usual and part of everything we do. The issue for now is how the control of data will swing to the consumer and away from brands. There is no singular issue that defines whether a business is successful or not. It is a complex mix of factors of which protecting customer data is just one ingredient.

Compliance

Seconding the motion, **Sacha Wilson, Senior Associate of law company Bristows**, considered why we should be concerned with compliance *now*. He pointed out that the data protection law which covers this is not just about security, but process. No business is unaffected. Processing covers anything to do with data. Security is about transparency, accuracy and retention. Digital transformation to data touches every aspect of business

Concern about data protection has grown immensely from 2005 to 2017 as law firms consider the implications of GDPR. Under GDPR, there is increased regulatory attention and increased fines for non-compliance which could be could be 4% of your turnover.

Compliance affects acquirers of companies: due diligence now includes valuation of data. A poorly protected database will trigger price renegotiations.

What's different *now* is businesses are all about data protection.

God complex

Seconding the opposition, **Debi Bester, Founder and CEO, Department of Change**, suggested that businesses might be forgiven for developing a 'god' complex – that is an unshakeable belief characterised by consistently inflated feelings of ability, privilege, entitlement and infallibility. With all the digital, social and data technology at their fingertips, they may believe in the illusion that they have the potential to be all present, all knowing and all powerful.

Her position in this debate is that protecting customers' data is not now the core aspect of what makes a business successful. People are now – as they always have been – the core aspect of what makes a business successful. And so, the focus of business should be on using all its resources, in a fair, efficient, responsible and sustainable way, to create value for them. Data is one of those resources, but it is not the only one, and is by no means the most important one, for business to be a success.

This motion puts customers' data at its heart. Not people, not customers, just the data of those who buy from us. But customers' data means the data does not belong to the business. It belongs to the customers. And since it's theirs, we can only have customers' data – to protect it, or do anything at all with it – if they have given us their explicit permission to do so. Debi Bester questioned whether they had in fact done so. She quoted surveys by EY, BBC, SAS, Edelman and the University of Cambridge's Psychometrics Centre over the last two years, which asked consumers what they think about sharing their personal data with businesses.

41% said they never or rarely share their personal data with companies.

63% said being asked for their personal data is likely to stop them from signing up to a new service or product.

71% said they did not feel comfortable with businesses tracking their whereabouts through their smartphones.

So while consumers are saying 'no', businesses are hearing 'yes'. The same surveys asked marketers how they are responding.

78% said they believed in investing in predictive data.

94% said predictive technology is important in understanding the psychological attributes of their customers'.

Around 55% of businesses have adopted 'big data' solutions of some sort, and this is expected to rise to nearly 70% by 2020.

So businesses are collecting data that does not belong to them and customers don't want them to have, whether or not we protect it. Is that the kind of success we want our businesses to be measured by?

And why is protecting just customers' data the core aspect of success? Why isn't prospects' data? Isn't it just indicative of a 'god' complex to only protect people when they can be of value to the business? Is their data not worth protecting until we acquire them and are retaining them? All these words – targeted acquisition retention, like customers' data – are indicative of our illusion that we are in control, when in reality the power has shifted to the customer.

And why not employees' data? Richard Branson famously puts his employees before his customers. So he might argue that protecting employees' data is a core aspect of what makes a business successful. What about directors' data, shareholders' data, supply chain partners' data?

What this comes down to, is that a successful company should protect *any* data that *anybody* has given them permission to hold. But it is not *the* core aspect of success, or even *a* core aspect of success; it's a hygiene factor. It's part of being in business, it's part of obeying the law.

So, then, what *is* the core aspect of what makes a business successful? It's people: Specifically, about how we work *with* them to create value *for* them. It's meeting people's needs, solving their problems, helping them rise to opportunities, in a way that delivers sustainable value for people as well as for the systems that serve them –the business, the community and the environment. And sometimes, creating that value, involves using customers' data. The important thing is that it must be used, not just protected.

A report in 2015 revealed that a staggering 72% of organisations surveyed admitted they 'have gathered customers' data that was never used'. So just protecting all this data is not going to be the core – or a core – part of business success. It's bit like putting valuables in a vault – they are 100% secure, but 0% of the value is unlocked.

Debi Bester suggested that there are two other resources that every business has that are at least as important as data, and some would say more important, creativity and innovation. Her company goes beyond using customers' data for targeting or retargeting and uses it to inform the development of new products and services, offers and experiences that they want and need, *when* they want and need them. In their experience, if you ask customers how you feel about sharing your data, you touch on fear. But if you ask them how they can help inform, or even co-create and co-innovate, a better customer experience, they open up and partner your business.

A DMA report reinforces this. It showed that, asked if they are willing to share their personal data in exchange for value added benefit, consumers are more positive. Over half said they would share their email address to get items for a lower price, better loyalty rewards or tailored offers.

In an Edelman survey, over half of people see the benefit of exchanging home data with smart appliances, like smart fridges. In fact, 57% would like smart fridge data to be used to recommend groceries when they go out shopping and 58% would like to be automatically warned about unhealthy dietary habits.

The point is not just about asking them for their data, protecting it and even using it on their behalf, but also involving them in a conversation about the value exchange that they want and need, and sometimes helping to shape it.

John Hegarty has said "What data cannot do is create an emotional bond with the consumer".

Discussion from the floor

For the motion

- Customer data that recognises people as individuals is the core of business success.
- The contributor feels that the opposition is naive to think you can opt out of having data which provides reputation and trust. He identified two types of businesses: those which have been hacked and those which are about to be hacked. It is crucial that data is protected.
- When asked people often say they do not want to give data, but their behaviour belies this.
- The key thing that can bring your business down overnight is hacking.
- For the first time in years, people are now talking about data.
- There should be a proportionate response to data protection, according to the services provided by the company.

Against the motion

- GDPR will affect our ability to do the job.
- Protecting customers' data is vital to any company's business. The core thing is that you are providing what people seek.

- You can't use data if you never take it from the customer in the first place. You have to deliver value. Privacy has never been the core of Facebook and Google. Customers want to be part of a group rather than have individualised service. The contributor's advice was 'seek forgiveness, not permission'. He also advocated life outside the database. Aim to work outside the data – there was no need to lock things down.
- The contributor looked not at protection, but investment. Data is an asset that belongs to the customer. The customer looks for a return on his investment. The core of a customer-facing business is the return on customer investment.
- The contributor cited TalkTalk CEO Dido Harding in pointing out the cost of not getting a company's data protection strategy right. Complaint handling should always be a top concern.
- Part of the reason regulatory changes are not a point of difference, is that the regulations set a bar to the *use* of data, rather than protection.
- Compliance is not only about managing data. The young people of today are giving away their privacy. It will not be controllable.
- Company Chairmen do not inform shareholders at AGMs that they are protecting customer's data.

Summing up

Summing up for the Opposition, **Richard Robinson** considered the three issues that were put forward by the Proposers of the motion. Competitive advantage – he argued that will disappear; Trust – Gerald Ratner did not lose data, but he managed to ruin his company; Compliance – Data is the new oil, and with this perception comes fear, uncertainty and doubt. Companies are very worried about the huge fines for non-compliance.

The core aspect of success is not about protection, but adding value. Success in business is much more than protection of data.

Summing up for the motion, Mark Runacus pointed out that you only know if you have a poor product if the data tells you. Protection of data does not limit its value.

GDPR is part of international regulation. It will raise the bar, but the winner is the customer.

Many Chairmen come from a generation that did not use data. The majority do not talk about data at AGMs. But he argued that CEOs will come to love data as much as he does. It is about now and is increasingly important. Making sure we protect data today, is an issue for the future. Data is the footprint of the customer. Businesses can't own that, but they can use it.

What makes a business successful today usually boils down to excellence in three areas: management, competitive advantage and market leadership. Management decision-making is more effective when it is informed with good quality data. We have seen how protecting customer data is a key driver of competitive advantage. Market leadership comes from a complex combination of factors, but customer data undoubtedly plays a key role in powering insight and intelligence to deliver this.

So data is inextricably linked to the three most important aspects of business success. Data is the fuel – the beating heart of every business.

Mark Runacus concluded by talking of his own experience as a consumer. He freely gives his data, as long as it is used wisely. For instance his brand perception of Facebook is diminished because it attempts to sell him what he has already bought. It feels like they have over-stepped some unspoken boundary. He feels that protecting his data is one core element of a much bigger, more significant, new emotional contract that he wants to exist between him and the brands he chooses to do business with. He only wants to buy from brands that are authentic and transparent and he wants those brands to succeed as a result.

The result

The motion was carried after a count of hands with the narrowest of margins of 36 v.35.

Next debate

The next debate will take place on **Monday 29th January 2018** sponsored by the International Advertising Association UK Chapter. For more details contact Doreen Blythe, Debating Group Secretary, e-mail: doreen.blythe22@btinternet.com