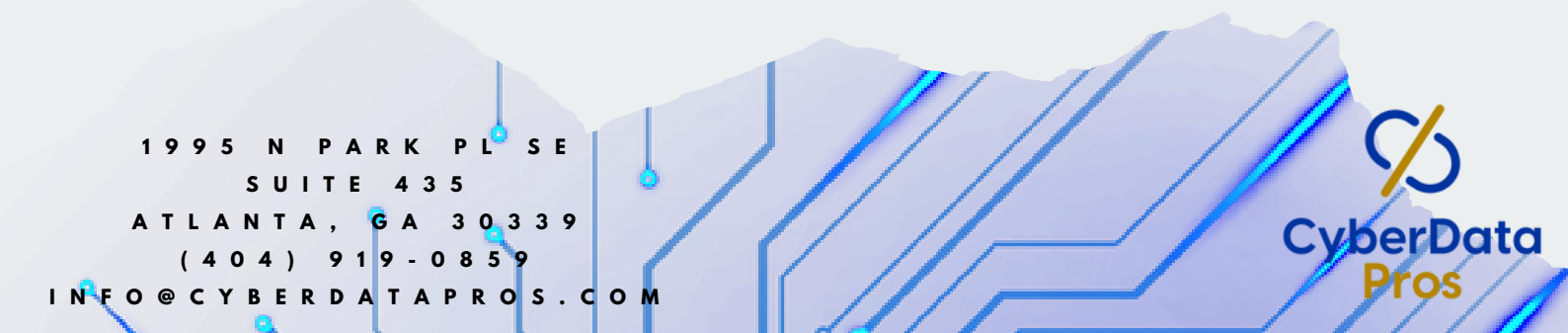




THE EVOLUTION OF MARKETING & DATA PRIVACY

THE ROAD AHEAD FOR BUSINESSES AND CONSUMERS

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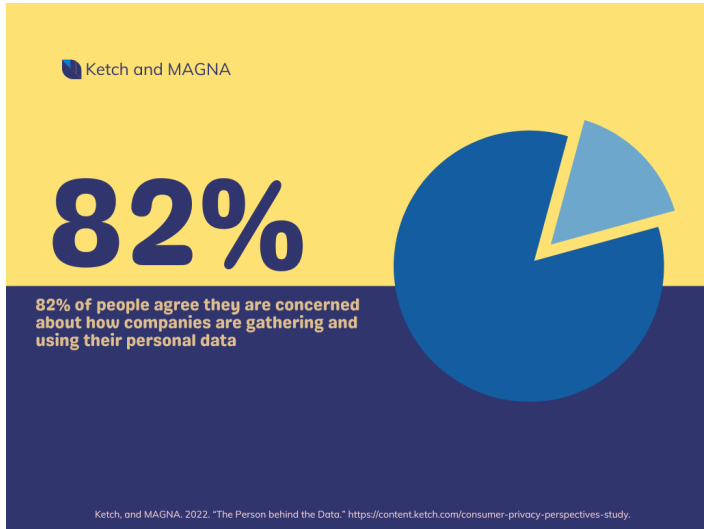
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“By year-end 2024, Gartner predicts that 75 percent of the world’s population will have its personal data covered under modern privacy regulations”.¹ While the average consumer is likely reassured by this prediction, to those in the marketing world this may cause a sense of foreboding at the seemingly many challenges ahead of adapting to a privacy-first world. In reality, this shift is already well underway, and there are many steps that can be taken to turn this shifting landscape from a headache to a catalyst for growth. CMOs will be at the forefront of these efforts, but this focus on privacy will impact marketers and employees at every level and department. For these reasons, it’s important to understand what these changes mean and how you can prepare for the future, today.

At the intersection of marketing and privacy is data. Marketers rely on data to provide insights, to develop strategies and campaigns, to correlate the value of marketing efforts, etc. Everywhere you look, data is being collected on an enormous scale worldwide, with KPMG reporting in 2021 that 70% of companies had increased collection of consumer personal data within the last year.² Additionally, the types of data collected have and are becoming more and more personalized. In the past, the marketing strategies of companies have taken the approach of getting and holding onto as much data about customers as possible, whether it served a direct purpose or not. As technology and society evolve, consumers have become increasingly aware of this and are expecting and demanding more when it comes to their data privacy rights. The



continued occurrence of data breaches or misuse exposing personal information has led to customers no longer trusting organizations with their personal data. According to research conducted by McKinsey, “only around 33 percent of Americans believe that companies are using their personal

¹ (“Gartner Identifies Top Five Trends in Privacy through 2024” 2022)

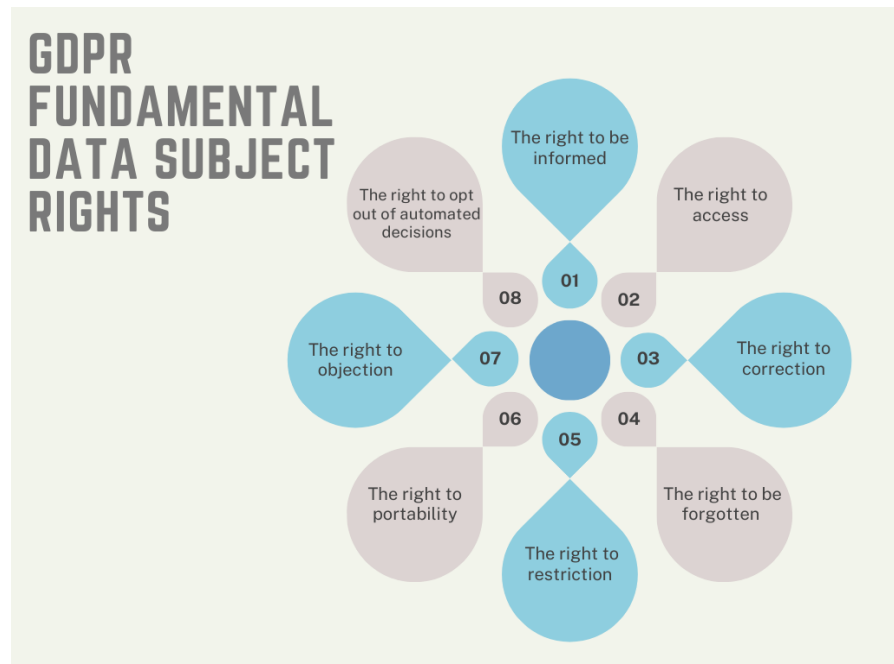
² (“Privacy Concerns Rise as Businesses Report Increased Personal Data Collection” 2021)

data responsibly”.³ Furthermore, an alarming 76 percent of consumers worldwide feel that it is too difficult to even understand what companies are doing with their data.⁴ Given these statistics, it’s easy to understand why governments have gotten and will continue to get involved.

The enactment of the European Union’s General Data Protection Regulation (GDPR) in 2018 was a landmark shift toward recognizing the privacy rights of consumers as it relates to data usage. It served as the initial spark in a movement that is rippling across the globe, with similar legislation and regulations passed in other countries and states, such as the California Consumer Privacy Act (CCPA), the Brazilian General Data Protection Law (LGPD), and Canada’s Personal Information Protection and Electronic Documents Act (PIPEDA). Numerous others are in progress, and considering this growth worldwide it becomes clear that Gartner’s prediction regarding privacy law coverage is not unrealistic.

The GDPR and other regulations provide certain rights and protections to the consumer, or “data subject”. Since other privacy rulebooks are modeled after the

GDPR, understanding the eight fundamental rights asserted by it provide a core baseline for what CMOs and marketers should know when it comes to data protection. Specifically, the regulation secures for consumers the right to be informed, the right to access, the right to correction, the right to be forgotten, the right to restriction, the right



³ (Brodherson et al. 2021)

⁴ (“Building Consumer Confidence through Transparency and Control” 2021)

to portability, the right to objection, and the right to opt out of automated decisions.⁵ With the GDPR, for example, it may seem easy to assume your company is in the clear if you are not headquartered in the EU, but think again. In addition to being applicable to businesses physically operating in the EU, if you, amongst other things: have business dealings, serve customers or users, ship products, collect data on employees, or offer access to websites, in the European Union, then it is highly likely that your organization is subject to these regulations. Failure to comply with the GDPR can lead to violations resulting in fines to the company of up to *hundreds of millions of dollars*. The same concepts also apply to other existing privacy regulations, so it's imperative that your team is onboard when it comes to compliance.



While data privacy is the responsibility of every employee, for better or worse the weight of it often falls squarely at the feet of CMOs and marketing teams. The reason for this is straightforward: effective marketing in today's world relies heavily on data, and since such a high volume of data is collected by marketers, the onus is on them to

⁵ ("The Ketch Guide to GDPR Compliance" 2022)

ensure that this data is handled properly in all aspects and stages of its lifecycle. If the decision to comply is delayed, when the time inevitably arrives that the organization chooses (or is forced) to comply, the amount of usable “permissioned” data they possess will have already decreased significantly. Considering this, it’s imperative that marketers adopt a strategic, future-oriented view and hold their organizations accountable for adherence to privacy regulations. In the past, marketing has relied heavily on the use of third-party cookies to collect data about consumers. Information is gathered about visitors to websites through cookies that are generated by a separate domain than the one the user is currently on. These cookies, now containing bits of data, are then utilized by companies for marketing purposes by displaying targeted ads and tracking customers across the internet. Data that is collected this way is referred to as third-party data, and while this has been an effective marketing tool, the lack of privacy and user control it provides has led to the phasing out of third-party cookies. Of the major web browsers, Apple Safari and Mozilla Firefox have blocked the usage of third-party cookies for some time, and Google has publicly revealed that it too will be phasing out such cookies within Chrome (though they admittedly have dragged their feet due to the enormous revenue that is generated from targeted ads - many of which rely on third-party cookies).⁶ Nonetheless it is simply a matter of time before, if they haven’t already, companies will need to come up with a new strategy to adapt to the demise of the third-party cookie as a tool in their marketing arsenal.

Fortunately for marketers, the future is bright for new opportunities through shifting toward a focus on the use of first-party data. Unlike third-party, first-party data is unmediated - meaning it is gathered from a direct connection between your business and the user, such as a customer, client, site visitor, or social media follower. This consumer has provided information specifically to your company through means such as visiting your website, purchasing a product, or completing a customer survey. By capitalizing on the value of this first-party data, an organization can profit from the multiple benefits associated with this marketing strategy. First and foremost, it sows the seeds for developing stronger and more personal relationships with your audience. As first-party data is collected, it allows for customer profiles to become increasingly

⁶ (Dooley 2021)

individualized - giving the business a healthier understanding of their clients and leading to relevant and personalized ads. In fact, BCG Global found that by efficiently leveraging its first-party data, a company could “generate double the incremental revenue from a single ad placement, communication, or outreach...and 1.5 times the improvement in cost efficiency”.⁷ When you take these factors into consideration, it positions a business that adopts such a privacy-first, first-party data marketing strategy to realize a future-proof competitive advantage against rival organizations.

While the implementation of a new strategy is incredibly complex and multifaceted, there are several areas CMOs and marketing leaders can focus on to ensure the success of their program and derive the greatest value from their efforts to build strong customer relationships and collect valuable first-party data. Since customers are granting permission to use their data, there is an expectation that as compensation something will be obtained in return. This so-called “value exchange” is critical - it establishes a back-and-forth cycle of benefit to both parties by providing value for each. There are a number of ways this can be done, including offering focused and enhanced content, exclusive deals and rewards, or premium member features. Another major area of focus is that of strengthening transparency and trust. Communicate clearly what personal data is being collected, the purpose the data is to be used for, and who will have access to the data. Not only does this aid in complying with privacy regulations, but it establishes a sense of choice and allows the customer to feel in control of their privacy rights - so much so that they are “three times more likely to respond positively to advertising when they felt a greater sense of control over how their data was being used”.⁸

What next steps can your marketing team begin to take to seize this opportunity and prepare? First, it is vital to get everyone on-board and on the same page, from C-suite to IT to Engineering to Finance. Without alignment and collaboration across departments, it will prove difficult to yield results. Make data privacy a core value that is embraced within the culture of the company. Next, take stock of your current state and ask questions about existing data practices. Find out what data is being collected, what

⁷ (Patel, Field, and Leon 2020)

⁸ (Google and Ipsos 2021)

the data is being used for, and where it is being stored, for example. It's difficult to establish a baseline by which to measure progress if the answers to these questions aren't known. Have a privacy impact assessment (PIA) and data protection impact assessment (DPIA) conducted to discover where your privacy risks lie and the potential impacts associated with them. Finally, invest in the proper technology to create the best experience for the business and customer alike. Specifically, evaluate how implementing tools such as Customer Relationship Management (CRM), Customer Data Platform (CDP), and Consent Management Platform (CMP) will complement one another to provide a holistic approach to reaching your goals.

The information detailed here is meant to provide an overview of the shifting times ahead for CMOs and marketers. Data privacy is an area that will continue to grow and evolve, and as it does more insights and recommendations will come to light. One thing is for certain, and that is that the concern and emphasis on personal privacy is here to stay. Adapting to change might not be simple, but will focusing your efforts on privacy today be worth it? Just ask the customer.

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