



FEATURE

The next chapter of data privacy

Building a new currency with digital trust

Rodney R. Sides, Rob Goldberg, and Lupine Skelly

Strong data privacy policies can be the first step to enabling consumer trust and loyalty in the new economic environment.

DURING THE COVID-19 pandemic, retail has likely changed forever, and, along with it, the perceived importance of data privacy and security. In the postpandemic marketplace, we expect significant changes in consumer habits and increased reliance on digital platforms. For retailers, it is more important than ever to maintain the “digital lifelines” created during the outbreak and to engender the trust cultivated during these difficult times. This is especially true given recent data privacy mandates, such as the California Consumer Privacy Act (CCPA). The CCPA went into effect on January 1, 2020, with enforcement planned for July 1.¹

While taking cues from their customers’ immediate needs and wants, retailers should keep a watchful eye on the future state of privacy in their industry. In particular, three specific issues should be top of mind:

1. **Data privacy matters**—With consumers’ reliance on online retail accelerating, protecting consumer data is vital to retailers’ current—and future—success.
2. **Trust is a new form of currency**—Consumers seek out retailers that make them feel safe. Customer loyalty during the worst of times should bear fruit when the best of times ultimately returns.
3. **COVID-19 will have a lasting impact on data privacy**—as retailers now operate in a manner to maintain public health, the need for strong data privacy measures will likely become even more important to consumers.

Based on conversations with several high-level retail executives in early May 2020, this article can help you digest these issues and recommend ways to manage your data privacy and trust concerns, especially as we prepare for the inevitable “normalization” of the retail industry.

Data privacy matters

The exponential growth, consumption, and analysis of data should be accompanied by equally powerful safeguards around how those systems are developed and used.

During the height of the COVID-19 pandemic, governments in China, South Korea, and Singapore employed geo-tracking technologies to help plot the trajectory of infection rates. In the United States, similar applications raised privacy fears and trust concerns—even at a time when such systems could potentially serve the greater good.

Though an opt-in program, the data collected in the name of public health and the public good directly challenged consumers’ sense of privacy. This has been evident in Deloitte’s recent social sensing reports,² where negative mentions of digital contact tracing increased 115% from March 16 through April 27. As debate intensifies around this issue, it appears we have reached an inflection point where consumers bargain away some of their privacy in the name of public safety (similar to post 9/11 monitoring). If consumers believe giving up data for public health is a step too far, where does that leave retailers who want to collect data for monetization, marketing, and sales?

This issue is particularly important as retailers operate in a manner to support public health outcomes. They may inadvertently collect personal health information about their employees and customers. Consumers are gaining an understanding of the breadth, depth, and power of the data collected on them, and the analyses performed. For example, if a consumer buys flu medicine at a local pharmacy, should one be concerned that the purchase is being tracked? And why? Is it just to aid the retailer's future marketing efforts? Or, could there be another purpose?

“We are collecting health data on our employees to maintain a safe working environment. Everything is changing so fast so we're just in the initial stages of discussing how to govern it.”

— *National home improvement executive*

Additionally, some retailers are using temperature monitoring to “safeguard” employees. What are the consequences of collecting that data? How is it used, attributed, and stored? What uses could there be beyond protecting the staff?

As such, it's important for retailers to strategically engage consumers to build trust and establish ground rules for data privacy today and in the future.

Trust is a new form of currency

Even before retailers were unintentionally collecting health information, the industry faced a trust issue. Numerous data breaches and a perception of data misuse made consumers wary. Only 5% of consumers place their trust in retailers to ensure their data privacy, according to Deloitte's recent survey on consumer privacy in retail.³ Consumer anxiety around the topic continues to elevate. Now that consumers are shopping online more because of COVID-19, another survey revealed 43% of respondents agreed or strongly agreed that their concern about data privacy has increased.⁴ The apprehension around data privacy, along with the consumer trust gap, highlights how retailers should change their practices to help ensure that consumer and employee privacy is at the core of how they operate—and not merely a compliance issue.

COVID-19 has heightened the issue of trust in the marketplace as some retailers have become first responders, providing essential goods and services. Although many retailers have implemented significant safety precautions, as of May 30, 50% of US consumers are concerned for their physical well-being and less than one-half currently feel safe going to the store. This elevated anxiety has shifted consumers' purchasing habits.⁵ There is a new reliance on digital platforms—they've become “digital lifelines” for those too fearful or unable to venture out. Therefore, retailers have a rare opportunity to improve trust, gain competitive advantage, and increase customer loyalty.

If retailers can focus on how they obtain, store, and use customer data, they can turn trust into a new currency.

In conversations with industry data privacy executives, we've gathered leading practices on developing trust. Gaining trust through proactive measures starts by never saying "trust me" to customers. Instead, retailers should show consumers that they are trustworthy through their actions. They should:

- Create robust data privacy solutions that go beyond compliance and regulations
- Develop and communicate additional security measures to protect customer data from cyberthreats
- Acknowledge customer values in data privacy policies
- Use data to benefit customer experiences

With CCPA enforcement planned from July 1, retailers have an opportunity to gain trust and competitive advantage by increasing transparency and removing friction from the customer experience. They should assess how competitors address regulations and make accessibility to data privacy measures highly visible and simple for consumers to digest. Retailers that prioritize trust now can help develop loyalty that should be rewarded long after COVID-19 fades.

RETAILER'S EVOLVING WORK ENVIRONMENT

We are witnessing a pivotal juncture in how companies will evolve and operate in the future. IT has been forced to defend against an increase in hackers and scammers utilizing malware, phishing, and fake notices from government agencies. They are taking aim at a newly remote workforce. As the pandemic subsides, we expect to see retailers continue to operate with elevated levels of employees working from home, increasing opportunities for data mismanagement and data breaches. The increased risk will likely make it even more imperative for retailers to consider data privacy and cybersecurity in the postpandemic future.

Writing the next chapter on data privacy and trust

To solidify loyalty and trust, retailers have an obligation under the CCPA to protect and use personally identifiable data responsibly today and in the future. With the postpandemic outlook uncertain, such idealism may be more important than ever as retailers strive to develop a trusted relationship with consumers. Their efforts today could not only help keep their future business alive, but also thrive.

"I really believe that companies that take privacy and security in good faith achieve much better outcomes than companies that try to do the minimum necessary, because they earn the trust of the customer."

— *Former national pharmacy executive*

“If you talk to any forward-thinking CEO, they would tell you that, aside from their associates and their customers, their most prized asset is their data and the people that know how to use the data for the good of their business and customers, are the ones that are going to win.”

— *Former national grocery executive*

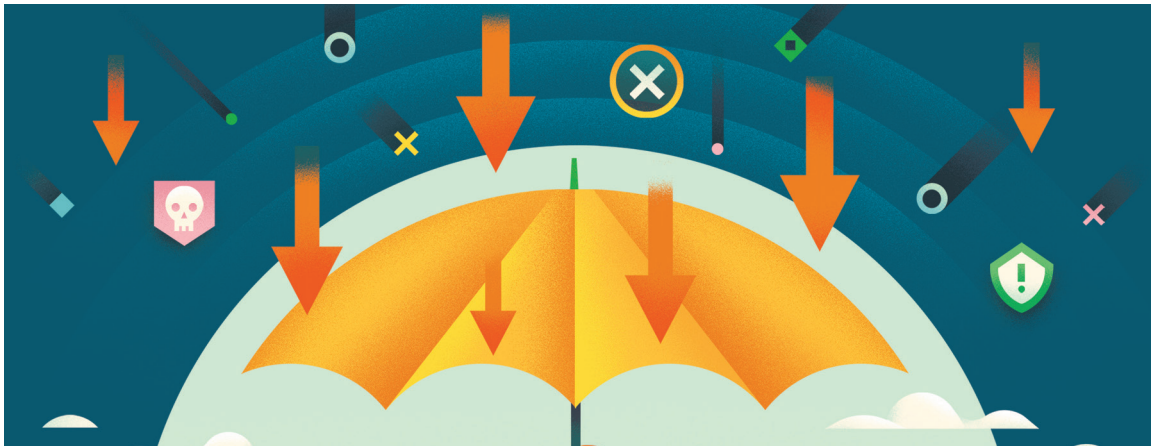
Trust has been—and will always be—a crucial element in strengthening ties with customers, especially around issues related to data privacy. We believe retailers should act during—and after—the pandemic to:

- Go beyond checking the CCPA compliance box and build an ethical data-use framework to gain trust with consumers and foster loyalty.
- Proactively include external and internal privacy advocates in business and technology planning to maintain a balance between what serves the public good and what is beneficial for your company.
- Make data more vital to customer engagement, using consumer data for their own benefit.⁶

- Develop business strategies with privacy in mind.

Our prescriptions, now, more than ever, are critical for retailers to help bridge the trust gap. Retailers should adopt new strategies for how they collect and protect sensitive information while balancing their own needs vs. those of the customer.

It’s a tricky line to walk. Finding the balance between the need to collect and protect customers’ private information and use that data to support ongoing marketing efforts isn’t easy. But those who do can develop long-term, trust-based relationships that should help them weather any future changes in an increasingly volatile marketplace.



Endnotes

1. While the CCPA is a state-level enactment, its application is wide-reaching simply because it applies to all companies operating in California, regardless of their origin.
2. Social Sensing - Heat + Deloitte Digital, "What we are seeing on social," accessed May 19, 2020.
3. Rod Sides et al., *Consumer privacy in retail: The next regulatory and competitive frontier*, 2019.
4. Deloitte, "Deloitte state of the consumer tracker," accessed May 19, 2020.
5. Ibid.
6. Joe Ucuzoglu and John Hagel III, "Use your customer data to actually help your customers," *Harvard Business Review*, April 24, 2020.

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