



After GDPR –
Lessons and consequences
from the advertiser perspective

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Introduction

This spring, one abbreviation has been at the center of conversations, client meetings, blog posts and subject to a large number of email newsletters: GDPR. After a two-year transition phase, the European General Data Protection Regulation took effect on May 25th, 2018. Many companies and stakeholders had trouble identifying and implementing suitable technical and organizational measures (TOMs) to become GDPR-compliant in time.

Additionally, the significant risks associated with the new regulation (penalties up to EUR 20m or 4% of group revenue, plus general reputational damage) drove corporations to implement quick solutions, while some even shut down some tracking activities or reduced online marketing activities. The GDPR aims to protect personally identifiable information (PII) and give users control of their PII data. Especially in Data-Driven Marketing (DDM), a lot of data is collected and analyzed to enhance marketing effectiveness. DDM aims to reach the right user at the right time and on or through right channel with the most suitable advertising message to motivate them towards an appropriate action. The more data about a certain user is available, the more accurate companies get in addressing that user. Users also benefit from enhanced accuracy since they receive more relevant offers or interesting information. However, increased data volume and insights also increase the chance of obtaining and using PII. Hence, data-driven

marketers and media companies are eager to achieve and maintain GDPR compliance without harming the impact of data-driven marketing efforts.

This white paper summarizes the initial impacts on DDM after a few months of GDPR compliance, experiences and learnings from both advertisers and media companies in becoming GDPR-compliant, and our interviewees' personal outlook on the future impact of data privacy regulations on data-driven marketing. The white paper is based on views and opinions from several interview partners across industries, covering both advertisers and media companies, to collect insights from various perspectives. The interviews were conducted during summer 2018 so the GDPR had taken effect and initial impacts were observable within this time frame. Interview partners on the advertiser side came from various industries: aviation, insurance, e-commerce, FMCG and a charity organization. Media companies included large publishers with a strong digital footprint in the DACH region.

The views and opinions summarized do not necessarily represent the opinions of Deloitte Digital or 1plusX AG and this white paper does not claim completeness or a balance of views of advertisers and media companies. Lastly, this white paper does not claim accuracy with regards to the GDPR nor does it contain any legal advice of any kind.

GDPR implications and observed trends

These different strategic approaches to GDPR are reflected in the direct implications and observed trends since May 25th, 2018. In the following section, operational and strategic impacts across the different interview partners are summarized with a focus on data-driven marketing activities across the entire customer journey. Some direct operational implication might also indicate general trends for the next months under the GDPR.



The impact is visible on many websites that require an active opt-in by their visitors. Additionally, mailboxes have been filled with updated privacy statements. Many email campaigns have been stopped temporarily or newsletter mailing lists reduced significantly in terms of recipients. "After May 25th, some newsletters were paused until old data sets have been deleted or we have received an updated consent from the respective recipients" – says the Head of Marketing Analytics & CX at a charity organization. A lively discussion has emerged about whether this reduction in mass email marketing has increased the engagement rate, for example, or whether reducing mailing lists harms marketing efforts. Interview partners did not provide

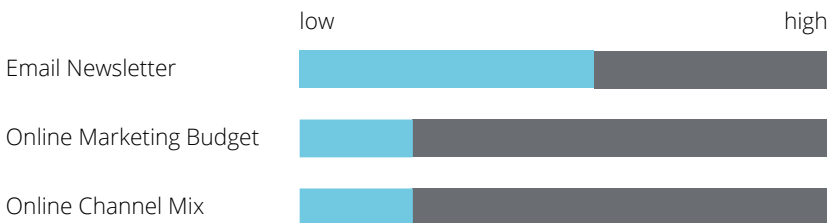
any detailed quantitative analysis to be publicly discussed in this white paper. On the other hand, the impact on direct email marketing was moderated by the current privacy set-up including documentation of opt-ins. Some interview partners did not experience a significant drop as the Lead for Technical Digital Transformation at an FMCG company points out: "We have been using a double opt-in for emails for a long time so the GDPR had no impact on our mailings."



Despite the impact on email campaigns that interview partners partially experienced, they did not report any reductions of marketing budgets and other significant changes to their online marketing channel mix so far. Nevertheless, some lead generation channels such as lotteries or events have become more complex for many companies who rely on a steady stream of new customer leads. “As an advertiser, we needed to intensify our strategic approach to generating leads due to data privacy limitations. What is still possible and what is prohibited under GDPR? We reduced 3rd party address leads and focused on qualitative leads, clarifies the Head of Marketing

Analytics & CX. In general, interviewees stated an increase in strategic consideration in data-driven marketing with regards to available and compliant data sources. “Before GDPR, only selected data was collected and used for our data-driven marketing and personalization initiatives. We wanted to implement a larger project to play out more personalized offers based on user behavior. However, some onsite and offsite personalization initiatives were postponed to clarify the impact of GDPR. Now we are focusing on fewer use cases with a clearly compliant and sufficient database” – as the Project Manager CX at an air carrier points out.

Fig. 1 – Reported GDPR impact on Data-Driven Marketing (DDM):



Enhancing the quality and depth of first party data is another viable approach for larger companies to maintain a meaningful data pool of onsite and offsite personalization. The Senior Project Manager for GDPR/ePrivacy Regulation at an e-commerce business intelligence unit explains: “We need to improve our onsite appearance and perceived value for our customers. Combined with trust in our ability to handle personal data and using it to improve our services and offerings, we reduce users’ perceived data privacy risk and keep a sufficient data base for our analysis. [...]” – By contrast, other interview partners feared that the excessive concentration of first party data at GAFA (Google, Amazon, Facebook & Apple) is enhanced by GDPR, which is a controversial discussion topic in data-driven marketing.

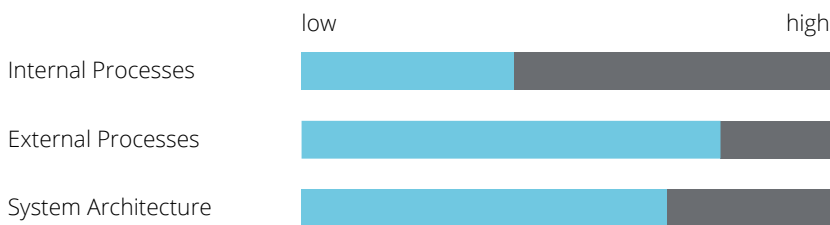
As an advertiser, we needed to intensify our strategic approach to generating leads due to data privacy limitations. What is still possible and what is prohibited under GDPR?

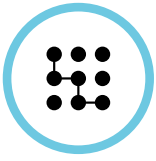


All interviewees reported process adjustments to adhere to GDPR with regard to data handling or based on an alternative technological set-up. “During the initial analysis, we discovered many pain points with regard to data storage. Data points have been stored and copied to several data pools. It was a large effort across the whole company to ensure compliance [...]”, states the DPO at a large publisher. Companies that have focused more on data privacy issues in the past encountered less complex and elaborate adoptions, but none of the interviewed companies was fully GDPR-compliant. “We believed that we had taken data privacy seriously before GDPR. Nevertheless, we had to adapt almost all tools and systems in place”, says the Head of Marketing Analytics & CX. The

GDPR introduced new data subject rights that impose challenges for companies collecting and storing personal data. The public discussion during the spring [of 2018] also focused on the potential impact of granting these rights, such as information about and access to personal data or the right to personal data portability for data subjects. Most of the companies interviewed chose to rely on partially manual processes to grant these rights to users and customers. However, across industries only a few data subjects have made use of their rights and operational impact and effort is negligible compared to the waves of user requests expected. Still, some of the interviewees have automated, or plan to, some of these processes to grant data subject rights.

Fig. 2 - Reported adjustments in DDM based on GDPR requirements:

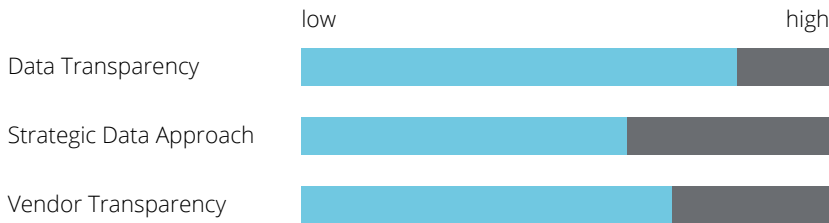




In general, GDPR projects increased the transparency regarding data collection, processing and storage across the IT landscape. This transparency included internal departments and functions, but especially in data-driven marketing, many different external stakeholders as well. “We have stopped working with a few publishers since we had doubts regarding their GDPR compliance. Contracts with the remaining publishers and partners have been adapted by our legal department”, recalls the Director of Digital Transformation at an FMCG company. Moreover, several interview partners stated that the assessment of external service providers and vendors of technical solutions has become more

detailed. The GDPR project lead at an insurance company provided some examples of data privacy aspects they focus on in provider assessments: “How and where is data processed? How do they protect collected data? What measures are in place? Are they capable of identifying and reacting to data breaches? [...]”. Further, “Potential vendors were asked for data privacy certificates. How do they ensure GDPR compliance for services offered? [...]”, said the Project Manager CX at the air carrier. As a consequence, it will be even more critical for providers to offer GDPR-compliant solutions to their clients, complemented with well-defined processes, documentation, and training.

Fig. 3 – Reported benefits from GDPR project for DDM:



In summary, GDPR implications have caused time-consuming and complex adoptions for all interview parties with regard to operational processes and technological set-up. However, publicly discussed negative impacts on data-driven marketing have been less severe than expected. Data privacy will affect data-driven marketing and onsite marketing efforts in the future, hence, incurred experiences and learnings help to streamline and guide future data-driven marketing projects with regard to data privacy.

Experiences and learnings from implementing GDPR

Data privacy issues and GDPR requirements impact strategy development and implementation of new technological solutions for data-driven marketing.

Additionally, all processes that include processing of current and potential customer data at any point in the customer journey are subject to the GDPR. Marketing and retention efforts are impacted by GDPR and potential future regulative data privacy initiatives. Hence, learnings from GDPR compliance projects across different industries are applicable to future operational processes, evolution of the technological architecture and overall data-driven marketing strategy.

Our interview partners recall multifaceted learnings from becoming compliant with GDPR – both with internal data governance, processes, IT systems and involved departments & resources, and with external service and technology providers. We summarize the most quoted learnings as follows:



Start early and include relevant stakeholders

All interview partners reported time as a critical factor based on the multitude of processes, systems and departments involved in handling PII. Even when the scope is reduced to data-driven marketing, the large volume of collected data points, various tools in use and multiple contracted agencies increase the complexity of data privacy projects and therefore simply require more time.

Additionally, becoming GDPR-compliant is a cross-departmental effort. Next to obvious departments for data-driven marketing, such as (online) marketing, analytics and IT, our interview partners stressed the legal department, compliance department and data privacy officer (DPO) as critical stakeholders to be involved. More importantly, collaboration between the different stakeholders involved may

mitigate potential hurdles: The various systems and tools applied in DDM, combined with manifold agencies accessing these tools, are complex to understand for DPOs. Close collaboration and communication across departments reduces complexity and enables DPOs to give a well-informed assessment.

“Our techies fostered close collaboration and regular communication with DPOs to explain technical details of data collection and later data usage for digital marketing.” – as a Senior Project Manager GDPR/ePrivacy Regulation at an e-commerce business intelligence unit stated. Or to phrase it differently: For some interview partners, the GDPR project intensified and improved the collaboration between company departments which so far had few touchpoints.



Thorough status quo analysis as basis for GDPR projects

Regardless of the actual status of transparency and documentation maturity, interview partners cited a detailed analysis of current data handling processes with respective systems and stakeholders involved as the crucial first step in their GDPR project. Therefore, GDPR requirements were matched against the individual status quo analysis, including internal data governance, processes, IT systems and contracts with external service providers. “The initial status quo analysis allowed us to identify most critical processes and develop suitable TOMs (technical and organizational measures) to mitigate the risk for our company” – a statement from the GDPR project lead at an insurance company in Switzerland.



Manage capacity constraints

For many interview partners, it was difficult to choose a suitable project set-up and approach. The Director of Digital Transformation at an FMCG company stated: “Missing guidance from authorities and no available reference cases fostered uncertainty associated with the GDPR and influenced our project set-up. [...] we focused on an agile team set-up to be able to react quickly.”

Internal resources are limited and the majority of interviewees report having run into capacity constraints with legal department and DPOs. “Our legal department and DPO were very busy with several parallel challenges on GDPR compliance. It was difficult to explain data collection, processing and storage, since the interpretation of GDPR makes it difficult to get clear statements and the technical realization still has some open questions. The combination of limited capacity and complexity of data-driven marketing set-up interfered with the initial project timeline” – said the Project Manager Customer Experience (CX) at an air carrier.



Raise awareness and train your employees

Across advertiser and media companies, interviewees recognized the need to increase awareness among employees and external service providers about the risks associated with data processing. “We recognize challenges for small enterprises to embed awareness for data privacy across their organization”, explained the Head of Commercial Products at a publisher operating across the EU. In organizations that are active in multiple countries, GDPR fostered awareness of data privacy issues in countries where these standards had been lower before GDPR. “Data privacy is no longer a ‘German issue’, but has reached all entities in Europe and even became a topic at a global level”, recalled the Lead for Technical Digital Transformation at an FMCG company.

Companies are applying the 'privacy by design' principle for new processes and digital products. However, training your employees is essential to avoid future data privacy breaches. “Our sales representatives need to re-learn lead generation based on new limitations under GDPR. We need to get creative and develop new concepts to generate leads”, commented the GDPR project lead at an insurance company in Switzerland. Other interview

partners stated that learned methods and processes have to be re-learned by individual people. Regular data privacy training courses and workshops enable employees to handle data securely and increase awareness for data protection and cyber security issues.

Despite the numerous challenges encountered during their GDPR projects, most interview partners said they were GDPR-compliant to the best of their knowledge and belief. However, among all interviewees there was still a lot of uncertainty regarding GDPR, due to the unclear regulation text and missing reference cases or lawsuits. Additionally, some interview partners claimed that they lacked guidance from governmental authorities. This ambiguity increases the perceived risks across some legal departments and DPOs. Hence, the overall approach to compliance with GDPR differs between the interviewed companies: Some focused on their legitimate interest as advertisers to collect personal data and utilize it for their digital marketing campaigns, whereas others require an active user opt-in with corresponding consent management systems.

Outlook on future data privacy regulations

All interviews concluded with the following question: What do you expect in future from GDPR and in general from data privacy regulations such as the EU ePrivacy Regulation? The responses and reactions displayed a broad range of opinions about their expectations from data privacy regulations. Nevertheless, some interesting and somewhat contradictory quotes from our interview partners can help to guide future discussion about data privacy in data-driven marketing.



In general, the ambiguity of the GDPR text keeps companies on their toes. For example the Düsseldorf Kreis – a conference of independent federal and state data privacy authorities in Germany – has published a position paper that imposes a critical position towards web analytics and tracking without user consent/ active opt-in. Many legal departments, however, refer to their legitimate interest as a legal basis for onsite tracking data for direct marketing purposes. Hence companies are forced to prepare for different scenarios and some have established GDPR task forces in case first rulings reveal a different interpretation of GDPR than those of their internal legal and compliance departments.

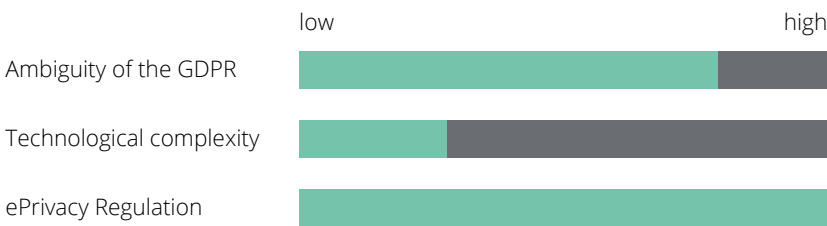
“GDPR, and especially the public debate around data privacy and the implications of GDPR, give us a chance as a smaller player to gain ground. Public awareness and regulative pressure can slow down the concentration on GAFA with regard to data insights”, said the Senior Project Manager

GDPR/ ePrivacy Regulation at an e-commerce business intelligence unit. The CX Project Manager at an air carrier holds an opposing view: “GDPR makes the playout of customer-relevant content extremely difficult. Our website now shows a pop-up to inform about the updated privacy statement, but very few users really care or know the legal background which caused this change. Simultaneously, GDPR means complexity for all players with very costly adaptation of processes and technologies. GAFA are well-prepared with the necessary resources, money and the profile usage as an alternative. The regulative effect of the GDPR on GAFA is in my opinion negligible.”

The ePrivacy Regulation as currently drafted by the European Parliament is set to supersede the current ePrivacy Directive and enhance the level of privacy rules for all electronic communications. All interview partners see the ePrivacy Regulation as very critical, because of the implications for data-driven marketing and data privacy in digital communications. "The current draft of the ePrivacy Regulation contains many hypotheses. [...] Publishers would face severe consequences if the ePrivacy Regulation becomes reality as currently drafted.

Hence, new alliances are created to enable a single sign-on across multiple publishers", observes the Lead for Technical Digital Transformation at an FMCG company. The ePrivacy Regulation is still in draft until the end of this year, with parallel negotiations between the European Parliament and national governments. This forces most interview partners into a wait-and-see position, while some players have engaged in pro-active dialogue with industry associations and authorities.

Fig. 4 – Reported uncertainty factors with regard to data privacy:



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Concluding Summary

Several months have passed since GDPR came into effect on May 25th, 2018. Nevertheless, GDPR is still a very prominent topic for most companies, and as one interview partner stated: "You are never 100% finished. [...]". As mentioned above, some processes to grant data subject rights continue to be handled manually. Educating your employees and raising awareness for data privacy issues within daily routines is an ongoing process. The fast-paced environment of Data-Driven marketing with evolving technologies challenges companies to stay on their toes and respect the data privacy of current and potential customers. This white paper outlines the initial impacts of GDPR on data-driven marketing, summarizes experiences and learnings from companies across various industries located in the DACH region, and depicts the personal views of interview partners on the future of data privacy regulations.

The expected and publicly discussed impact of GDPR on data-driven marketing was less severe than expected – at least as witnessed by the interview partners. The ambiguity of the GDPR, however, does not allow a final judgement of experienced GDPR impacts. Interview partners pointed out the organizational effort and stress of adapting processes and technological set-ups. The following impacts of GDPR on data-driven marketing were reported:

- Consolidation of mailing lists
- No significant changes or shifts of marketing budgets
- Growing strategic focus in marketing use cases and corresponding data approach
- Trend towards first party data at some interviewed companies
- Significant adjustments to internal processes and technological set-up
- Companies have gained profound transparency about data processing and technologies involved – they expect this transparency now from their partners and technology vendors

The interviews discovered different approaches with regard to legal perspective and different project setups to ensure GDPR compliance across the respective companies. Despite the different approaches, the shared key learnings and experiences show many parallels from both advertisers and media companies in becoming GDPR-compliant and can be summarized as follows:

- Start early and include relevant stakeholders from the very beginning
- Thorough status quo analyses sets the stage for successful data privacy projects
- Pro-actively manage internal capacity constraints
- Raise awareness of data privacy issues and train your employees

All companies interviewed teamed up with

external experts to ensure their timely and sufficient compliance with GDPR. External experts can help to overcome internal capacity constraints with regard to legal and compliance departments. They support existing teams in identifying suitable data-driven marketing strategies and follow through a stringent project management. Additionally, external partners and technology vendors have inherited a critical role for companies in becoming GDPR-compliant. Companies must trust and rely on their partners and vendors and their respective TOMs to adhere to the GDPR.

The personal views of interview partners on future expectations regarding data privacy regulations, such as GDPR and the ePrivacy Regulation, are characterized again by the ambiguity associated with both EU regulations. Company – internal evaluations and public discussions about these regulations will accompany data-driven marketing in the coming months and years. The future will tell whether these regulations help data subjects protect their personal information effectively or whether they solidify the position of GAFA against less powerful market players.

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Please visit www.1plusx.com for more information, in particular for more details about our GDPR offering.



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