



***The Privacy Payoff:
How Building Privacy Into Your
Communications Will Give You A Sustainable
Competitive Advantage***

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International Association of Business Communicators
International Conference 2008
New York City, New York
June 24, 2008



Presentation Outline

- 1. Privacy “101” – Setting the Stage*
- 2. Why Privacy is Good for Business*
- 3. Consumer Confidence and Trust*
- 4. Privacy-Enhanced Marketing*
- 5. Make Privacy a Core Competency*
- 6. Develop A Culture of Privacy*
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*Privacy “101”
Setting the Stage*



Information Privacy Defined

Information Privacy: Data Protection

- Freedom of choice; personal control; informational self-determination;
- Control over the collection, use and disclosure of any recorded information about an identifiable individual;
- Privacy principles embodied in “Fair Information Practices.”



What Privacy is Not

Privacy \neq Security



Privacy and Security: *The Difference*

- Authentication
- Data Integrity
- Confidentiality
- Non-repudiation



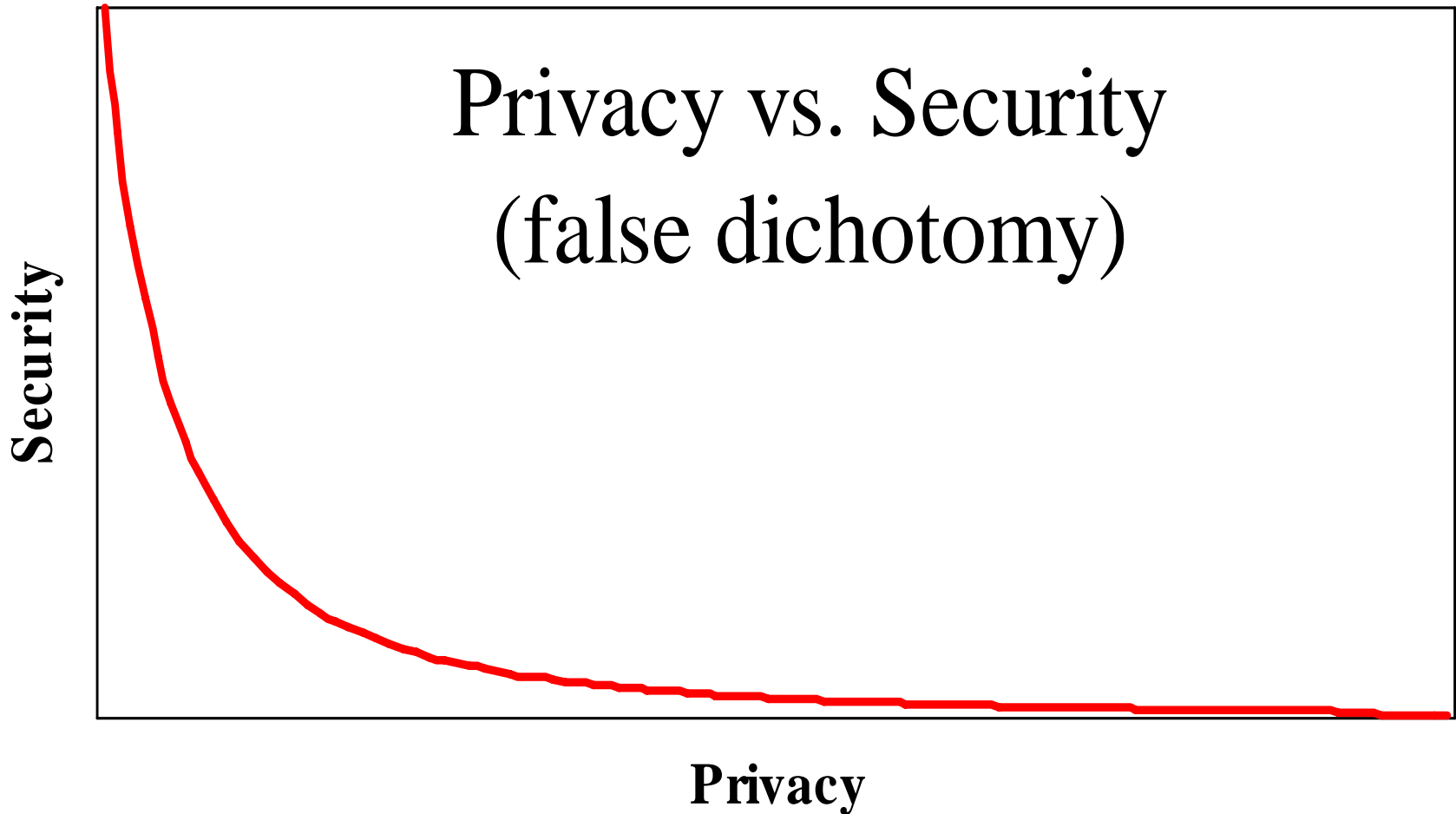
Security:

Organizational control of information through information systems

- Privacy; Data Protection
- Fair Information Practices
- “Use” of Personally Identifiable Information (PII)



Privacy OR Security: *A Zero-Sum Game*





Positive-Sum Model

*Change the paradigm
from a zero-sum to
a positive-sum model:
Create a “win-win” scenario,
not an “either/or”
involving trade-offs*



Fair Information Practices: *A Brief History*

- OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data (1980);
- European Union Directive on Data Protection (1995/1998);
- CSA Model Code for the Protection of Personal Information (1996);
- United States Safe Harbor Agreement (2000);
- Global Privacy Standard (2006).

www.ipc.on.ca/images/Resources/up-gps.pdf



The Golden Rules: *Fair Information Practices*

- **Why are you asking?**
 - Collection; purpose specification;
- **How will the information be used?**
 - Primary purpose; use limitation;
- **Any additional secondary uses?**
 - Notice and consent; prohibition against unauthorized disclosures;
- **Who will be able to see my information?**
 - Restricted access from unauthorized third parties.



Global Privacy Standard

- In 2005, at the 27th International Data Protection Commissioners Conference in Montreux, Switzerland, I chaired a Working Group of Commissioners convened for the sole purpose of creating a single Global Privacy Standard (GPS);
- Globalization and converging business practices created a need to harmonize various sets of fair information practices so that businesses and technology companies could turn to a single instrument for evaluating whether their practices or systems were actually enhancing privacy;
- The GPS builds upon the strengths of existing codes containing time-honoured privacy principles and reflects an enhancement by explicitly recognizing the concept of “data minimization” under the “collection limitation” principle;
- The final version of the GPS was formally tabled and accepted in the United Kingdom, on November 3, 2006, at the 28th International Data Protection Commissioners Conference.



Why Privacy is Good for Business



The Bottom Line

Privacy should be viewed as a
business issue, not a
compliance issue

Think strategically and transform privacy
into a competitive business advantage



CMO Council Study: *Consumer Concerns over Information Security*

According to the *Secure the Trust of Your Brand* survey released by the Chief Marketing Officer Council:

- More than **50%** of survey respondents (consumers) said their security concerns were rising;
- **40%** have actually stopped a transaction online, on the phone or in a store due to a security concern;
- More than **30%** indicated they would strongly consider taking their business elsewhere if their personal information was compromised;
- **25%** firmly said they would definitely take their business elsewhere.

— Chief Marketing Officer Council,

Secure the Trust of Your Brand, August 2006. www.cmocouncil.org



Privacy Concerns are Adversely Affecting E-Commerce

United States: e-commerce sales were only 3.4% of total sales – \$136 billion in 2007.

— U.S. Dept. of Commerce Census Bureau, February 2008

Canada: Online sales were just under 2% of total revenues – \$62.7 billion in 2007.

— Statistics Canada, April 2008



Consumer Confidence and Trust



Consumer Trust is the Key

A simple fact about online behavior:

- Increased trust online breeds more online customers;
- The key to increasing online commerce is to draw in new consumers by removing the barriers to consumer trust.

— Isaac Scarborough, *Consumers Still Don't Trust the Internet*,
imediconnection.com, November 14, 2005.



Consumer Choice and Privacy

- There is a strong competitive advantage for businesses to invest in good data privacy and security practices;
- *“There is a significant portion of the population that is becoming concerned about identity theft, and it is influencing their purchasing decisions.”*

— Rena Mears, Deloitte & Touche LLP,
Survey Reports An Increase in ID Theft and Decrease in Consumer Confidence, June 29, 2005



Costs of A Privacy Breach

- Legal liabilities, class action suits;
- Loss of client confidentiality and trust;
- Diminution of brand and reputation;
- Loss of customers, competitive edge;
- Penalties and fines levied;
- Costs of crisis management, damage control, review and retrofit of information systems, policies and procedures.



Good Governance and Privacy: *Board of Directors*

IPC Publication:

- Guidance to corporate directors faced with increasing responsibilities and expectation of openness and transparency;
- Privacy among the key issues that Boards of Directors must address;
- Potential risks if Directors ignore privacy;
- Great benefits to be reaped if privacy included in a company's business plan.

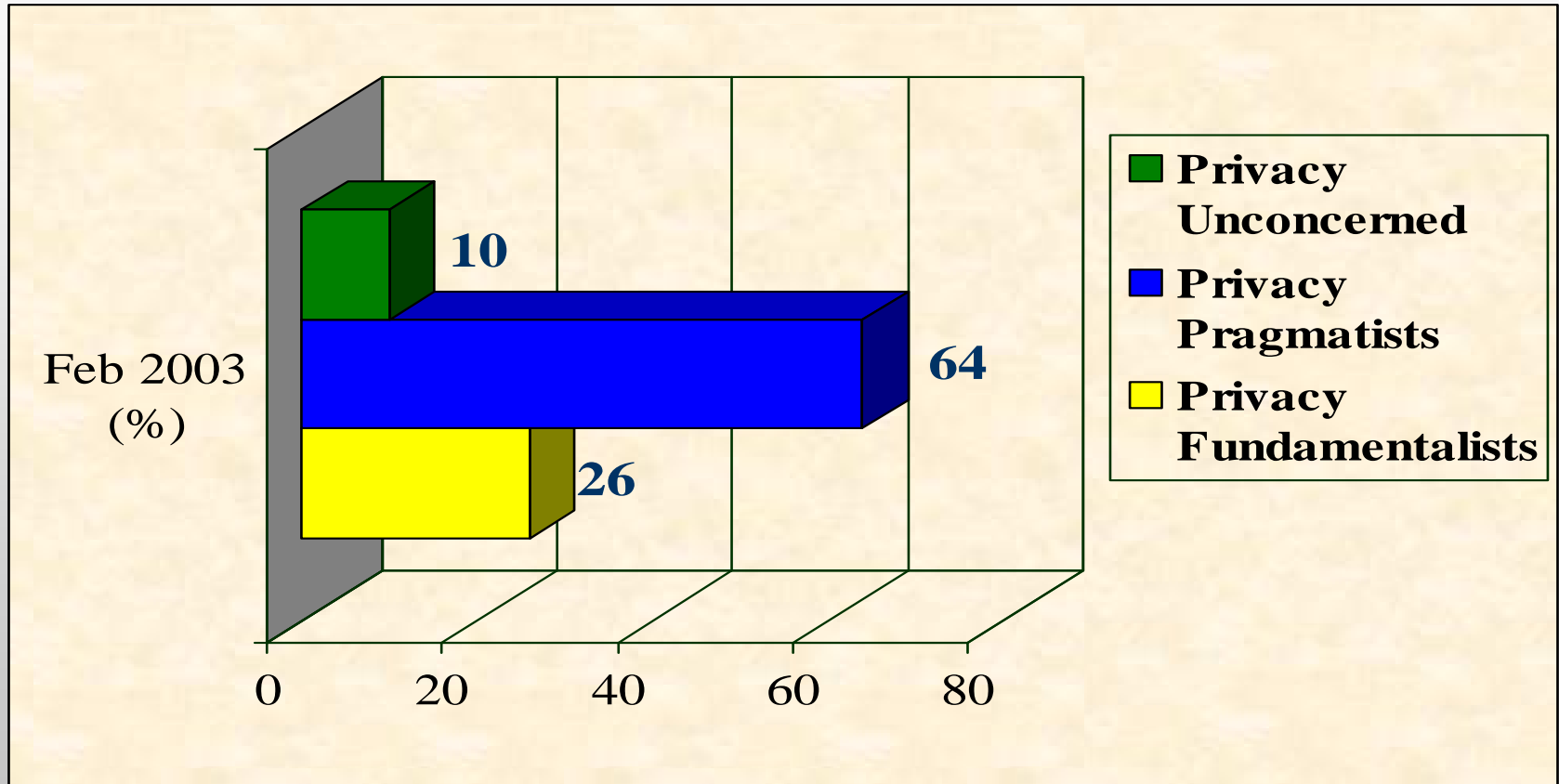




Privacy-Enhanced Marketing



How The Public Divides on Privacy

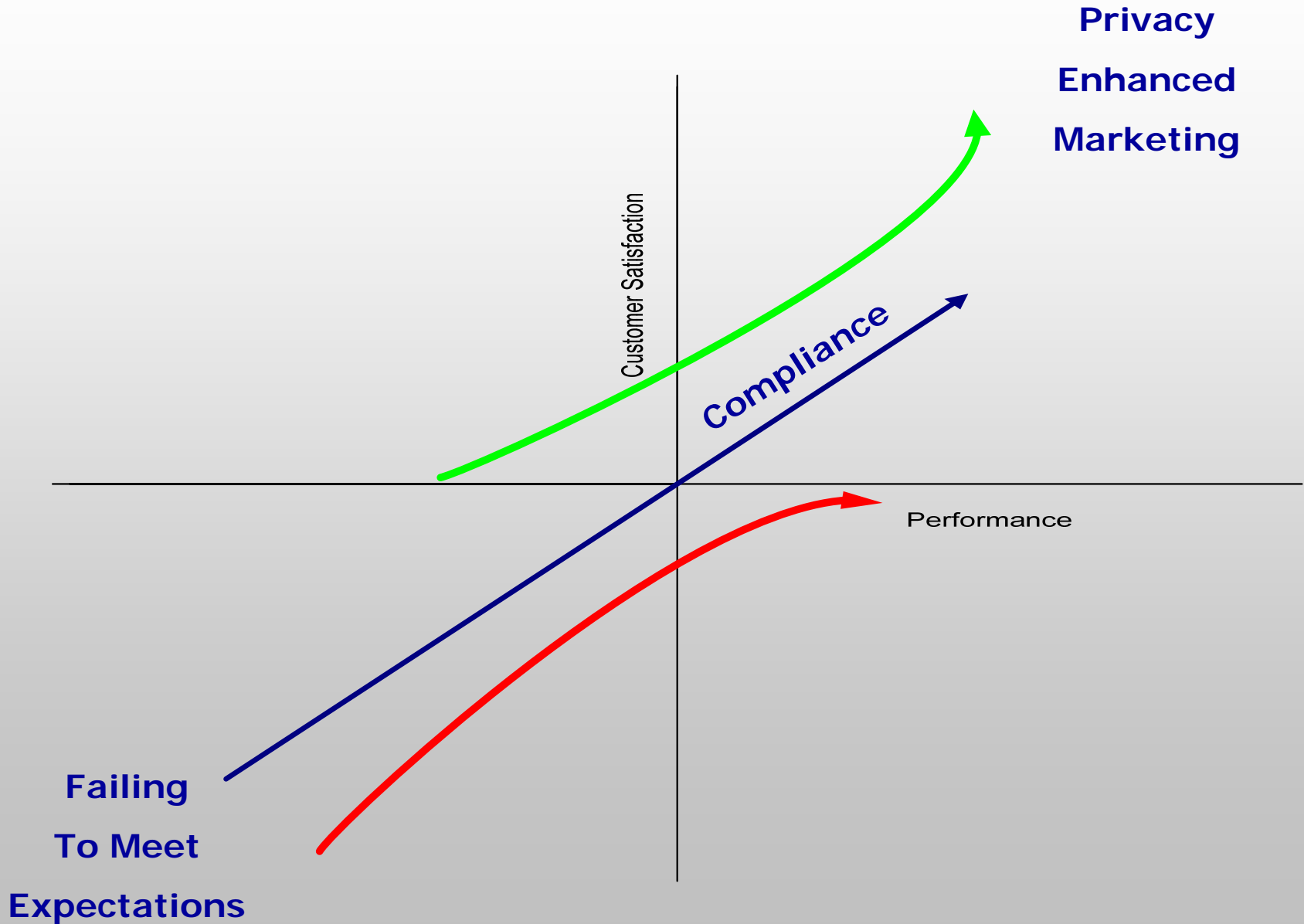


— Dr. Alan Westin,

The “Privacy Dynamic” – Battle for the minds of the pragmatist, 2001.



Privacy and Marketing





Privacy Enhanced Marketing

- Develop a good **privacy product** – it's all about trust and consumer confidence;
- Use privacy to gain a competitive advantage;
- Don't be short sighted: Build in **long-term** customer value.



Your Privacy Product ...

should include three elements:

People

Processes

Technology



Bottom Line:

It's All About Trust

*“Trust is more important than ever online ...
Price does not rule the Web ...
Trust does.”*

— Frederick F. Reichheld,

Loyalty Rules: How Today's Leaders Build Lasting Relationships, 2001.



Ten Reasons for Building Consumer Trust

1. Avoiding damage to your company's and/or brand's reputation;
2. Avoiding penalization by any existing or pending laws;
3. Avoiding civil and class-action lawsuits;
4. Maintaining the balance of monitoring the activities of employees while not harming their morale and productivity;
5. Ensuring the continuation of valuable business relationships by ensuring your company measures up to the privacy standards adopted by strategic partners;



Ten Reasons for Building Consumer Trust (Cont'd)

6. Being aware of the privacy laws and customs in other countries;
7. Gaining the trust and confidence of customers so that they will not provide you with false information;
8. Dealing with consumers who expect you to treat their personal information the same way that you would treat your own;
9. Repeat online customers are those that feel assured that shopping online is secure and that their information is protected;
10. Gain and maintain an edge over your competitors through embracing more than just the minimum of laws, regulations and privacy best practices.

— Ann Cavoukian, Ph.D., Tyler Hamilton, *The Privacy Payoff: How Successful Business Build Consumer Trust*, McGraw-Hill Ryerson, 2002, pp. 13-14.



Relating to Customers – 1:1

“The 1:1 enterprise, operating in an interactive environment, relies not just on information *about* customers, but information *from* them.”

“It is absolutely imperative for the 1:1 enterprise to take into account the issue of protecting individual customer privacy.”

– Don Peppers and Martha Rogers, Ph.D.,
Enterprise One to One: Tools for Competing in the Interactive Age, 1996.



Permission-Based Marketing: The Personal Touch

- Essential premise: persuade consumers to *volunteer* their attention;
- Predicated on Consent: makes consumers *active* recipients of marketing information;
- Puts control in the hands of consumers.

— Seth Godin,
Permission-Based Marketing, 2001.

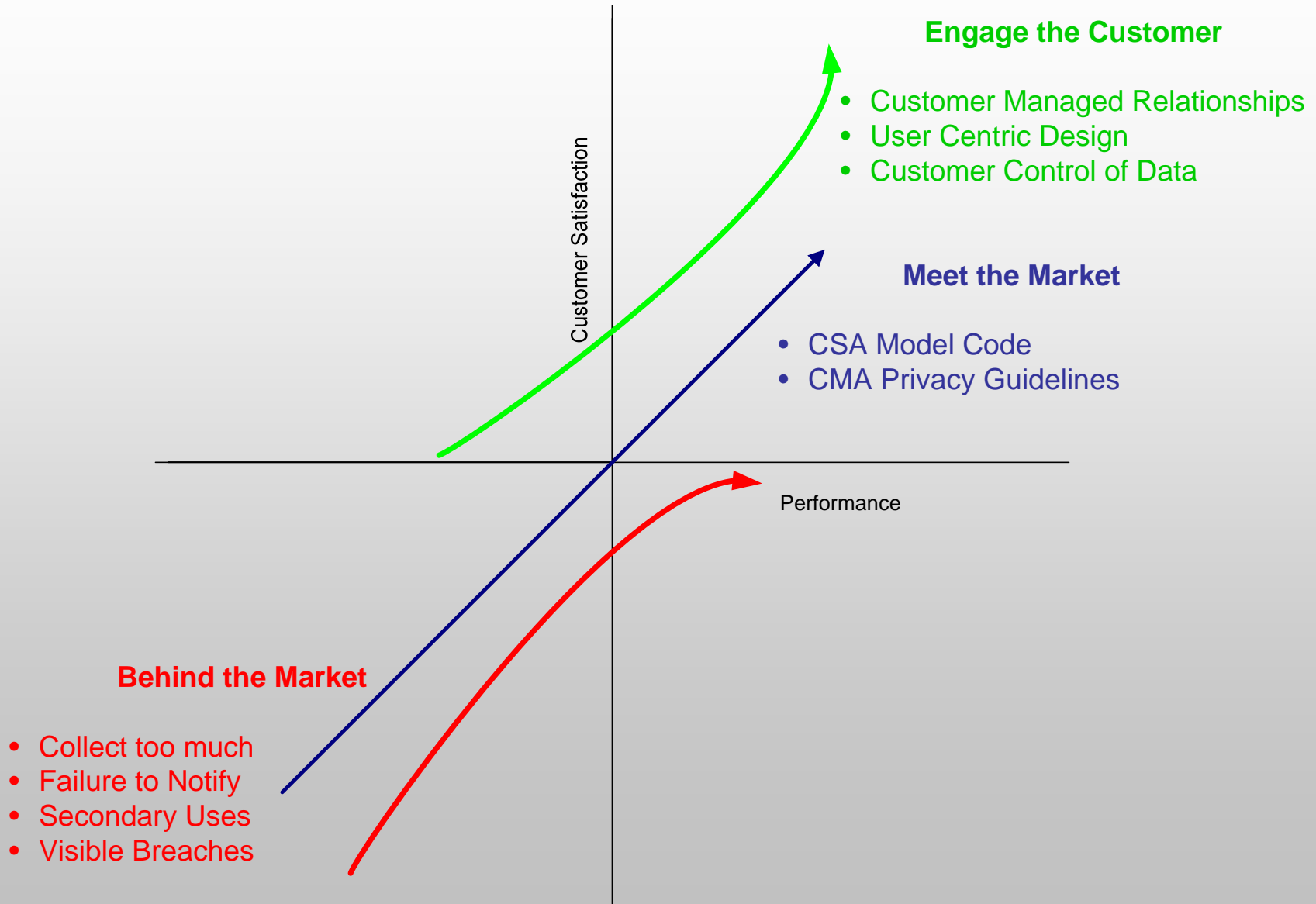


The CMR Challenge

- Become more focused on your customers, more customer-centric by changing CRM to CMR: **Customer Managed Relationships;**
- **NOT:** “Know everything about your customers.”
Replace with: “Know everything that your customers *want* you to know, and are willing to tell you;”
- Lead by assuming nothing, instead, *always ask* – think of this as a simple yet highly effective customer retention strategy.



Privacy and the Market





*Make Privacy
A Core Competency*



What is a Core Competency?

For a business, a core competency is something that a business can do well, and meets the following conditions:

1. It provides customer benefits;
 2. It is hard for competitors to imitate;
 3. It can be leveraged widely to many products/markets.
- A core competency can take various forms, including technical/subject matter know how, a reliable process, and/or close relationships with customers and suppliers;
 - If a core competency yields a long term advantage to the company, it will become a sustainable competitive advantage.

— C.K. Prahalad and Gary Hamel,

The Core Competence of the Corporation, Harvard Business Review, 1990.



Make Privacy A Core Competency for Competitive Advantage

Customer benefits:

- Protecting privacy gives customers the reassurance of knowing what is happening to their personal information;

Hard to imitate:

- Privacy is respected when you have a “culture of privacy” – we all know how difficult it is to effect culture change;

It can be leveraged widely to many products and markets:

- Respect for privacy attaches to your brand, and therefore, cuts across product and service lines, just as a reputation for bad service infects all lines.



Add Privacy to the Value Chain

Personal Information has great value:

- The closer it is to the customer; value is reduced as information moves away from the individual;
- Value is enhanced with the use of consent;
- Increasing the value of the P.I. that you hold increases your brand value for privacy;
- This concept is demonstrated with the idea of Return on Customer (ROC).

— Martha Rogers, Ph.D., *Return on Customer*, June 2005.



Privacy and ROC:

Return on Customer

- When a customer is offended by an experience, their equity (the present value of future transactions) goes down **AT THAT POINT**, even if they complete the transaction they are in;
- You need to account for, and balance, the need for immediate short term cash flow vs. long term customer value.

— Martha Rogers, Ph.D., *Return on Customer*, June 2005.



Develop A Culture of Privacy



Redirecting Institutional Culture

“A company must challenge all its assumptions about how each task is handled. It must not be afraid to peel back the layers and examine itself in a way it has never had to in the past ... devoting a tremendous amount of time and energy to the task.”

— William A. Wheeler, *Business Process Engineering: Breakpoint Strategies for Market Dominance*, 1993.

“Organizational learning theorists propose that it is not enough for leaders to design appropriate organization structures and continue to make well-reasoned decisions; instead, organizations must be characterized at all levels by **attentiveness to changing conditions.**”

— Dr. Amy C. Edmondson, Professor of Leadership and Management and Chair of the Doctoral Programs, Harvard Business School.



Building A Culture of Privacy

- A culture of privacy enables sustained collective action by providing people with a similarity of approach, outlook, and priorities;
- The importance of privacy must be a message that comes from the top;
- Privacy must be woven into the fabric of the day-to-day operations of an organization, with adequate resources.



Benefits of A Commitment to Privacy

- Strong organizational image and reputation as a forward-thinking, progressive leader;
- Enhanced data quality and integrity;
- Savings in terms of time and money (e.g., avoid lawsuits, avoid requirement to notify individuals following a privacy breach, etc.).



Weaving Privacy into Day-to-Day Operations

- On-going privacy training and awareness program (new staff training; refresher training for existing staff, new threats to privacy, new technology threats and solutions);
- Policies and procedures for maintaining privacy must be clearly articulated and individuals must know how to apply them in the day-to-day work;
- Privacy must form part of the performance standard for every individual working in the information-intensive health care sector.



Conclusions:

Building privacy into your communications will give you a sustainable competitive advantage

- If you develop a trusted business relationship with your customers, they will provide you with a steady stream of information – enhancing communication opportunities;
- It’s all about trust – when personal information is involved, you build consumer confidence and trust by strongly protecting your customers’ privacy;
- By protecting privacy, and communicating that clearly to your customers, it will give them a comfort level to communicate freely with you, without fear of their information being indiscriminately disclosed – a true “win/win.”



The Future of Privacy

“Here’s a prediction you can take to the bank:
Within a decade, privacy management will be
one of America’s great growth service industries.”

— Jim Taylor and Watts Wacker,
The 500 Year Delta: What Happens After What Comes Next, 1997.



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