

# How You Collect and Use Data Can Make Or Break Customer Loyalty

## The Price of Privacy

By Maria Villar and Theresa Kushner | Jan 5, 2012

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In 1999, then-CEO of Sun Microsystems Scott McNealy made an outrageous comment during a product launch. “You have zero privacy anyway. Get over it,” he declared.

Over a decade later, Sun Microsystems is an entry in microcomputer history, but online privacy rests precariously close to the “zero” that McNealy prophesized.

Today, millions of businesses collect data that describe customers personally. With each click, online shoppers and users give away a piece of their privacy.

In exchange for that privacy, they receive product and service discounts, online messages about the newest products from manufacturers and various other kinds of alerts, on everything from national disasters to celebrity malfeasance.

As a business owner, you benefit from collecting that data. Personal information is either explicitly given via credit card purchases or market research surveys, or implicitly derived from tracking customer interactions on the Web. Both kinds of data play an important role.



Facebook founder Mark Zuckerberg's profile page. Photo: UPI

Here are 5 key things to remember when collecting and using personal customer information.

#### 1. Notice and Choice

In the United States, you have a legal obligation to give your customers notice and choice. This simply means that you must notify them on your Web site that you are collecting data, and what you will do with it. You must then offer customers a choice to allow the use of personal data or not.

#### 2. Don't collect what you will not use.

Today's customers are savvy enough to know what data is really essential in transacting business with you. So don't ask questions that are too personal, or that won't provide them with what they feel is an equal exchange — their information for something of value. For example, the local baker who offers a free birthday cupcake can ask for a birth date (just day and month, please). The dry cleaners might have a difficult time extracting the same information.

#### 3. Use what you collect for good, not evil.

If the data is important to your business strategy, then it's important to collect and use it to further your relationships with your customers. For example, if your business is highly dependent on repeat customers, then understanding why they come back is essential. This one piece of information can be collected either through tracking surveys on your online site, through email or in-store surveys. Just make sure that when you collect the information, you use it. Asking customers for information and then never using it creates a breach in the exchange and makes customers less likely to give you additional information.

#### 4. Keep the promises you make to your customers.

The privacy statement on your Web site is your promise to customers about how you will use the data you collect. If you plan to sell or share their information with other companies, tell them. If you promise not to sell or share it, don't. Facebook's biggest privacy controversy came when it failed to respect users' wishes. For the next 20 years, Facebook must undergo regular privacy audits. That's the price of a broken promise to its customers.

#### **5. Stay on top of the privacy laws.**

Jan. 28, 2012, is [International Data Privacy Day](#). Here's your opportunity to learn more about how to ensure data privacy for yourself and your customers. By ensuring that you are current with the laws, you protect your business. If you do business internationally, it would be wise to get professional legal advice on the intricacies of privacy laws in other countries.

By taking these simple steps, you ensure that your customers feel that giving up some of their privacy results in value to them as consumers.

Remember, it takes on average 12 to 18 months of regular transactions to gain a customer's loyalty, but usually only one transaction to lose it.

*Maria Villar and Theresa Kushner are co-authors of "Managing Your Business Data: From Chaos to Confidence." Both are active data managers. As a vice president at SAP, Maria is responsible for data governance for this worldwide software company. Theresa is the director of customer intelligence within marketing at Cisco Systems.*