THE VALUE OF DATA PRIVACY

# Is Potential Revenue Worth Sending Your Customer's Data to be Tracked and Used by 3rd Parties?

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CUSTOMER DATA PRIVACY

# Is Aiding Data Surveillance Worth the Potential Return on Investment from Using Ad Platforms and Sharing Tools?

As more interactions with customers are carried out digitally, the opportunity for the data generated from them to enter the hands of individuals and organizations we have no direct relationship increases dramatically. And control over who accesses that data, how it's used, and where it ends up travels far beyond the boundaries of the company originally entrusted with its stewardship.

But it's because more of the everyday actions people perform are through digital channels that businesses are turning even more to those channels for the purposes of finding, catching and keeping them. Especially if they are seeing a positive impact on their ability to meet important sales objectives.

With an increasing percentage of interactions taking place digitally, there are more cost-effective opportunities to engage customers and prospects at scale. But that efficiency and effectiveness comes at a price as data from these interactions are also more susceptible to ending up in the hands of third parties you may have no direct relationship with. So how do companies balance the need to protect customer data with the need to find, catch and keep good customers to grow revenue in an efficient manner?

The purpose of this study is not to answer the question of whether companies are doing enough to protect their customer data, it's to try and understand how much they know about what happens to that data, how what happens to the data impacts their revenue streams, and how comfortable they are with that; and to begin measuring how knowledge and attitudes change over time.

To get a better understanding of how companies view customer data privacy in the context of growing revenue, we focused on the following areas:

- A high-level understanding of respondent knowledge of third-party software potentially installing tracking software from other vendors
- Comfort level for how ad-platform vendors explain how their customer/visitor data is being used
- Comfort level for how ad-platform vendors use their customer/visitor data
- Dependency on using ad-platform vendors for marketing activities
- Impact of using ad-platform vendors on meeting their sales objectives
- Development and enforcement of company customer data privacy policy

The survey questionnaire was fielded during the first week of November 2020, with 999 United States-based and 416 Canadian-based employees making up the survey population.  Additionally, the survey population cut across a variety organizational firmographics, including:

- Company size
- Annual Revenue
- Industry
- Employee roles and titles
- Primary Customer Type (B2B, B2C, Public Sector, etc)

# Data Privacy Confidence Score

Based on the answers to the questions making up the survey questionnaire, one way to measure the confidence level with using ad platforms, and their self-reported familiarity with how tracking code from unknown third parties can be installed, is through a simple equation:

## Add up the following:

- **Tracking Knowledge Ratio** - Those who said they knew about tracking/ those who said they didn't know (**5.8**)
- **Data Comfort Score** - Average Comfort Score (1-5 scale with 5 being most comfortable) for customer data being handled by companies with no direct relationship (**3.47**)
- **Data Comfort Split Ratio** - Those who scored comfort level a 5 / those who scored comfort level 1 (**2.84**)
- **Platform Comfort Score** - Average Comfort Score (1-5 scale with 5 being most comfortable) in how ad-platforms handle customer data (**3.66**)
- **Platform Comfort Split Ratio** – Those who scored comfort level with how ad platforms use their data a 5 / those who scored it a 1 (**6.1**)
- **Good Job Ratio** - Ratio of those saying vendors did good job of explaining how data is used vs those who say they don't do good explaining that (**4.95**)
- **Marketing Dependency Ratio** - Greater than 75% of marketing budget spent on ad platforms / Less than 10% of marketing budget spent on ad platforms (**.69**)
- **Impact Ratio** – Primary role on meeting sales goals/No or adverse impact (**1.87**)
- **Privacy Policy Ratio** – Those who said their company has a well-document, enforced customer privacy policy / those who said they did not (**1.25**)

## Subtract:

- **No-Tell/No-Install Ratio** - Knew about tracking but didn't communicate it to site visitors / those who never would have installed software in the first place if they knew about trackers (This is a subtraction because understanding surveillance/tracking can be taking place and choosing not to tell customers/visitors shows a lack of confidence in your decision ) **4.14**

Using this equation (adding and subtracting the above components) creates a **Data Privacy Confidence Score (DPCS) of 26.49** for the general population. The higher the score, the more confident the aggregate survey population is in terms of their understanding and comfort level for how customer data is being handled. The higher the score, the more confident they are with their use of customer data to generate revenue. And this number can be tracked over time to see how the mix of understanding, transparency, dependency and comfort in the area of how customer data is being handled, changes over time.

## Summary of Key Findings

Looking at the high-level findings from the full survey population, some interesting observations can be made. Below are a few of the key findings to report.

- Using the question of whether your company's website allowed tracking code from third party services on for marketing, advertising or lead generating activities as a disqualifier to take the survey, it took over 4,000 prospective survey takers to reach our target of over 1,400 total respondents – meaning only 40% of all prospective survey takers actually installed tracking code from third party vendors onto their websites

### They feel pretty knowledgeable about what's going on

- Respondents were over **5.8X more likely than** not to say they knew the software they installed on their site could also **install third party trackers from other vendors** which could send their visitor data to their servers (85.3% vs 14.7%)
- **62.3%** (creating a **1.7X "private knowledge" ratio** of those who knew but didn't tell customers) say they knew about the potential of trackers being installed by the software they knowingly installed on their website, but don't inform site visitors of this fact, with **14.7%** saying that if they did know about this they would not have installed the software on their website in the first place

## They are pretty comfortable with what third party ad platforms tell them

- When asked to grade their comfort level for third party companies they have no direct relationship with having access to their customer data (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for the general population rating is 3.47.
    - The general population is **2.8X more likely to rate their comfort level a 5 than it is to rate it a 1**
- They are **4.95X more likely** to say vendors have done a good job of explaining how their data is being used, than they are saying vendors had not done a good job (34.6% vs 7.0%)
- When asked to grade their comfort level with the way third party ad platforms are using the customer data they collect (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for the general population rating is 3.66
    - They are **6.1X more likely** to rate their comfort level a 5 as they are to rate it a 1

## They are dependent on using third party ad platforms to drum up business

- **29%** of the survey population say at least 50% of their marketing budget is spent on using third-party platforms from Google, Facebook, Microsoft etc., including **9.8%** spending at least 76% of their marketing budget

- **81%** say these platforms have been at least helpful in meeting their sales objectives
    - They were **1.9X** more likely to say these **platforms were a primary factor in meeting their sales goals,** compared to those who said they had little to no effect OR had an adverse effect (36.3% vs 19.4%) – Primary/No-Adverse Impact Ratio

## Most say their company does have a customer data privacy policy

- Of the 1221 who replied, they are more likely to say their company's customer data privacy policy strictly enforced (56%) than not (44%) – a ratio of 1.27
- **2.8%** said their company does not have a customer data privacy policy
- They share the following with their strategic partners:
    - 40% share transactional data
    - 40% share behavioral data
    - 53% share social data
    - 46% share feedback data
    - 26% share application usage data
- The top activities of those who do install tracking code onto website include:
    - Sharing content on social sites (65.7%)
    - Gathering data on who is consuming content (40.6%)
    - Tracking advertising campaigns (40.1%)

## The Pandemic accelerates and deepens digital dependency

- 46.4% say pandemic accelerates digital transformation efforts
- 31.2% say pandemic will increase their reliance on digital advertising
- 18.7% say pandemic will increase number of digital transactions

In summary, the overall results of the survey show the majority of respondents say they're familiar with how software they install on their websites can install tracking code from other companies and are comfortable with it. They also say ad platform vendors have done a good job explaining how their data is being handled and are comfortable with that explanation.

That high comfort level with the third party ad platforms is equaled by a high number (60%) of companies allocating at least 25% of their marketing budget to using these platforms, and 36% saying these platforms are a primary factor in meeting goals.

With this being the first time this particular survey was fielded, the results provide a number of points of interest, particularly given the current state of things in the midst of the COVID-19 pandemic. But it does serve as a point of reference as this survey is fielded in the future, where we can see how changes in knowledge, comfort levels and activities are reflected in the DPCS metric trend over time.

## Deeper look at a few chose segments

While looking at the overall survey population provides interesting data and insights into how companies view customer data privacy, taking a deeper look into a some of the survey population segments shows sharp differences that go into the overall DPCS of 26.49

## Primary Respondents

Is there a correlation between the dependency on these platforms and the comfort level of how customer data is being handled by these platforms? Let's take a closer look at the segment of the overall survey population that view ad platforms as a primary factor in meeting sales goals.

Roughly 34% (513 respondents) of the overall survey population said using third party ad platforms was a primary factor in their organizations meeting their sales goals and objectives. This segment of the survey population has a **DPCS of 59.94**, more than 2X that of the general survey population (26.49). And taking a deeper look into this segment offers some interesting comparisons to the overall results.

### Highest Comfort and Knowledge Levels

- While overall respondents were over **6X more likely than not** to say they knew the software they installed on their site could also install third party trackers from other vendors which could send their visitor data to their servers, that ratio **jumps to 15X** for PIRs (Primary Impact Respondents)

- When asked to grade their comfort level for third party companies they have no direct relationship with having access to their customer data (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for the PFR is **3.91**, compared to 3.47 for the general population
    - They are **6.4X** more likely to rate their comfort level a 5 as they are to rate it a 1, compared to 2.8X for the general population

- When asked to grade their comfort level with the way third party ad platforms are using the customer data they collect (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for PFRs is **4.05**, vs 3.66 for the general population
  - PFRs are **11.5X more likely** to rate their comfort level a 5 as they are to rate it a 1, compared to 5.8X for the general population
- PFRS are **21.6X more likely** to say vendors have done a good job (vs not doing a good job) of explaining how their data is being used vs **4.9X** for the gen population, than they are saying vendors had not done a good job (64.9% vs 3%)
- Of the 484 who replied, PIRs are 3.76X more **likely** to say their company's customer data privacy policy is well defined, documented and strictly enforced (79%) than not (21%)

## PFRs invest more of their marketing budget in ad platforms

- **42%** of PIRs say at least 50% of their marketing budget is spent on using third-party platforms from Google, Facebook, Microsoft etc. vs 29% for general population – a **45%** difference
- **15.4% of PFRS** spend at least 76% of their marketing budget, vs **9.8%** for general population – a **57%** difference

### Summary of PFRs Segment

This group, based on their DPC Score of 59.94, is significantly more confident in their understanding and use of how their customer data is being managed by the third party ad platforms they are using compared to the general survey population. They are also spending a significantly larger percentage of their marketing budgets using these services. Couple the high confidence with the higher dependence on using ad platforms, it's not surprising that this group reports saying these efforts are a primary factor in them meeting their sales objectives.

## Size Matters When It Comes to Customer Data Privacy Confidence

Looking at customer data privacy through the lens of size uncovered some interesting insights. We were able to compare companies with under 100 employees (519) to those with over 1000 employees (268) and found the following points of interest.

Looking at DPCS comparisons, companies with over 1,000 employees scored a **25.61** (slightly less than the overall population score of 26.49), compared to **15.98** for companies with less than 100 employees – **a 60% difference.**

**Additional interesting insights include:**

- Big Company respondents were over **7X more likely than not** to say they knew the software they installed on their site could also install third party trackers from other vendors which could send their visitor data to their servers, that ratio **is only half that (3.5X)** for employees at companies with less than 100 employees

- When asked to grade their comfort level for third party companies they have no direct relationship with having access to their customer data (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for >1000 employees was **3.33**, compared to 3.19 for the Under 100 respondents
  - Over 1K respondents were **1.7X** more likely to rate their comfort level a 5 as they are to rate it a 1, compared to **1.59X** for the Under 100 respondents
- When asked to grade their comfort level with the way third party ad platforms are using the customer data they collect (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for Over 1K respondents is **3.66**, vs **3.34** for the general population
  - Over 1Ks are **5.9X more likely** to rate their comfort level a 5 as they are to rate it a 1, compared to **2.2X** for the Under 100 population
- Over 1Ks are **3.4X more likely** to say vendors have done a good job (vs not doing a good job) of explaining how their data is being used vs **3.2X** for the Under 100 population
- Of the 231 Over 1K respondents who replied, they are **1.17X** more **likely** to say their company's customer data privacy policy is well defined, documented and strictly enforced (54%) than not (46%) vs the 420 Under 100s (where only 29% said vendors did a good job creating **.41X** ratio
- **Data Privacy Confidence Score** for Over 1Ks group is **19.6**, compared to **14.47** for the Under 100s

## Under 100s invest significantly less of their marketing budget on ad platforms than the Over 1Ks and the general population

- **32.8%** of Over 1Ks say at least 50% of their marketing budget is spent on using third-party platforms from Google, Facebook, Microsoft etc. vs 19% for Under 100s
- **10.8% of Over 1Ks** spend at least 76% of their marketing budget, vs **6.9%** for general population

## Geography Matters – USA vs Canada

A closer look at the data through the lens of geography provides an interesting comparison. Comparing responses from USA (999) vs Canada (416) revealed a significant difference in DPCS scores – **34.44** for the US vs. **14.1** for Canada; almost a **2.5X** difference.

**Additional findings include:**

- USA's DCPS is 30% higher than the general survey population, while Canada's score almost half of what the general population was
- US respondents were over **7.7X (88.6% vs 11.4%) more likely than not** to say they knew the software they installed on their site could also install third party trackers from other vendors which could send their visitor data to their servers, that ratio is only **3.4X (77.4% vs 22.6%)** for Canadian employees
- When asked to grade their comfort level for third party companies they have no direct relationship with having access to their customer data (on a scale of 1 to 5 with 5 being the highest level of comfort), US respondents was **3.67**, compared to 3.00 for Canadian respondents (**22.3% difference**)
    - US respondents were **4.5X** more likely to rate their comfort level a 5 as they are to rate it a 1, compared to **.75X** for Canadian respondents

- When asked to grade their comfort level with the way third party ad platforms are using the customer data they collect (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for US respondents is **3.82**, vs **3.25** for the general population
    - US respondents are **8.7X more likely** to rate their comfort level a 5 as they are to rate it a 1, compared to **1.9X** for the Under 100 population
- US workers are **6X more likely** to say vendors have done a good job (vs not doing a good job) of explaining how their data is being used vs **2.7X** for Canadian respondents
- Of the 885 US respondents who replied, they are **1.62X** more **likely** to say their company's customer data privacy policy is well defined, documented and strictly enforced (61.9%) than not (38.1%) vs the 336 Canadians (where only 38.7% said vendors did a good job creating **.63X** ratio
- The DPC Score for US respondents is **22.81 vs 12.98** for Canadian respondents

## US invests twice as much of their marketing budget in ad platforms than Canada

- **34.4%** of PIRs say at least 50% of their marketing budget is spent on using third-party platforms from Google, Facebook, Microsoft etc. vs 16.6% for the Canadian population – a **2X** difference
- **11.5% of US** spend at least 76% of their marketing budget, vs **5.5%** for Canada – a **2X** difference

## High Dependency Coincides with Big Confidence and Payoffs

While the population of those respondents saying their companies spend at least 75% of their marketing budgets on platforms from Google, Facebook, Amazon and others is small (140), it sheds light on the confidence/understanding levels of groups extremely dependent on them for their success.

The DPCS for this High Dependency (HD) group is **50.1**, almost twice the **26.49** score of the general survey population and second only to the PIR segment that score **59.94.** But the biggest contrast is when comparing the group's score with the segment of the survey population that said they spend less than 10% of their marketing budget on these ad platforms – with a **11.92** DPCS; a greater than **4X difference.**

- HD respondents say they are **11.7X (92.1% vs 7.9%) more likely than not** to say they knew the software they installed on their site could also install third party trackers from other vendors which could send their visitor data to their servers, that ratio **is only 5.8X** for the general survey population

- When asked to grade their comfort level for third party companies they have no direct relationship with having access to their customer data (on a scale of 1 to 5 with 5 being the highest level of comfort), HD respondents was **4.21**, compared to 3.47 for Canadian respondents (**21.3% difference**)

    - HD respondents were **8.3X** more likely to rate their comfort level a 5 as they are to rate it a 1, compared to **2.8X** for Gen Survey Pop

- When asked to grade their comfort level with the way third party ad platforms are using the customer data they collect (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for US respondents is **4.43**, vs **3.66** for the general population
    - HD respondents are **14X more likely** to rate their comfort level a 5 as they are to rate it a 1, compared to **6X** for the Gen Survey Pop

- HD workers are **7.4X more likely** to say vendors have done a good job (vs not doing a good job) of explaining how their data is being used vs **4.9X** for Gen Survey Pop
- Of the 130 HD respondents who replied, they are **2.9X** more **likely** to say their company's customer data privacy policy is well defined, documented and strictly enforced (74.6%) than not (25.4%) vs the **1.27X** ratio for the Gen Survey Pop
- Primary/No-Adverse Impact Ratio for HD respondents is **4.8X vs 1.8X** for Gen Pop Survey
- **58.6% of HD respondents say using ad platforms are primary factor in meeting sales objectives vs. 36.3% for the general population.**

## Small Dependency, Less Confidence

As mentioned above, those spending less than 10% on their budget have the lowest DPCS of 11.92, far below the survey population and much further below those spending at least 75% of their budget on digital ad platforms.

- Small Dependency (SD) respondents say they are **2.5X (92.1% vs 7.9%) more likely than not** to say they knew the software they installed on their site could also install third party trackers from other vendors which could send their visitor data to their servers, that ratio **is only 5.8X** for the general survey population; 11.7X for HD

- When asked to grade their comfort level for third party companies they have no direct relationship with having access to their customer data (on a scale of 1 to 5 with 5 being the highest level of comfort), SD respondents was 2.62 vs HD respondents was **4.21**, compared to 3.44 for Gen Survey Pop
  - SD respondents were**.37X** as likely to rate their comfort level a 5 as they are to rate it a 1, compared to **2.8X** for Gen Survey Pop and 7.5X for HD

- When asked to grade their comfort level with the way third party ad platforms are using the customer data they collect (on a scale of 1 to 5 with 5 being the highest level of comfort), the average score for SD respondents is **2.88**, vs **3.64** for the general population and 4.43 for HD
  - SD respondents are **.58X as likely** to rate their comfort level a 5 as they are to rate it a 1, compared to **6X** for the Gen Survey Pop and 14X for HD

- SD workers are **3.2X more likely** to say vendors have done a good job (vs not doing a good job) of explaining how their data is being used vs **4.9X** for Gen Survey Pop and 7.4X for HD

- Of the 140 SD respondents who replied, they are **as likely** to say their company's customer data privacy policy is well defined, documented and strictly enforced (51%) than not (49%) vs the **1.3X** ratio for the Gen Survey Pop and 2.9X for HD

- **21.3% of SD respondents say using ad platforms are primary factor in meeting sales objectives vs. 36.3% for the general population and 58.6% of HD.**

# B2B vs B2C – A Tale of 2X Models

Looking at these two models really illustrates how different attitudes and comfort levels can be when looking at customer data privacy. It shows up in their DPCS scores as B2Bs (535 respondents) scored **49.55** compared to **18.29** for B2Cs (577 respondents)– a 2.7X difference.

**Additional findings include:**

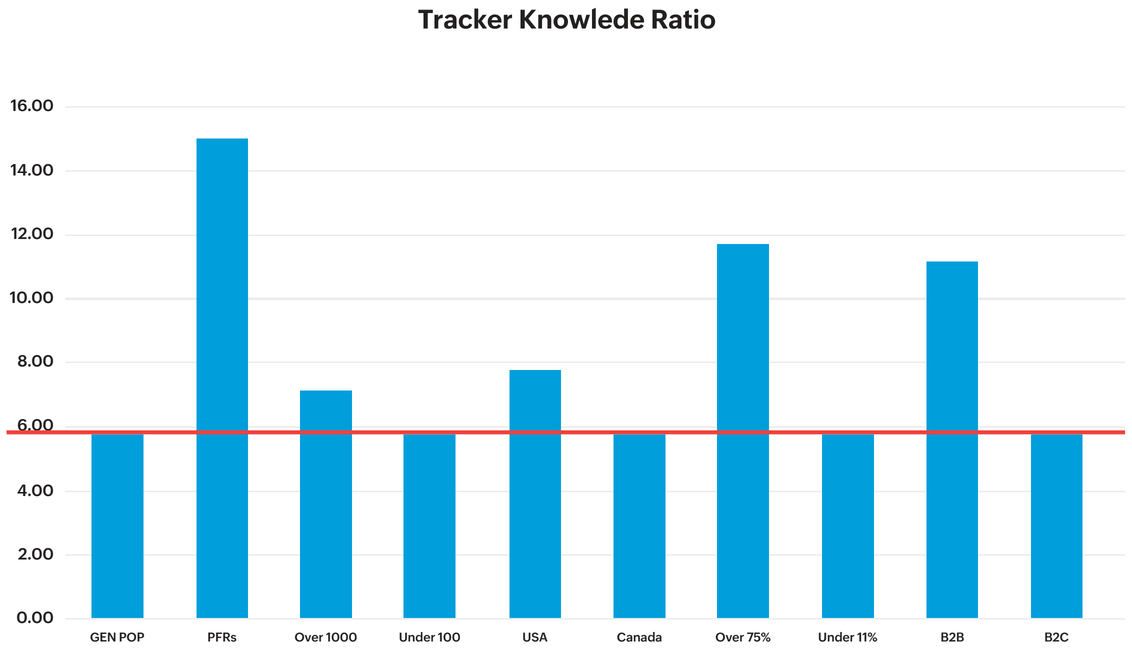
- B2B respondents **2X** more likely to rank comfort level as 5 on scale of 1 to 5 on their customers data is being used by companies they don't have a direct relationship with (36.2% vs 16.8%)
- B2B respondents are **2X** more likely to spend at least 76% of their marketing budget on third party ad platforms than B2C (13.5% vs 6.2%)
- B2B respondents almost **2X** more likely to spend at least 50% of their marketing budget on third party ad platforms than B2C (37.6% vs 20%)
- B2B almost **2X** more likely to say third party ad platforms are primary factor in meeting sales objectives than B2C (50.7% vs. 26.7%)
- B2B almost **2X** more likely to say third party platforms have done a good job explaining how their data is being used than B2C (47.9% vs 24.6%)
- B2B **2X** more likely to say they are very comfortable with how 3rd party platforms are handling their data than B2C (38.7% vs 17.7%)
- B2B (480 respondents) significantly more likely to say they have a strictly enforced customer data privacy policy than B2C (483 respondents), 66.6% vs 45.7%
- **Effect of the Pandemic:**
    - B2B significantly more likely to accelerate digital transformation efforts than B2C (59.3% vs 38.5%)
    - B2C significantly more likely to increase reliance of digital ads than B2B (33.6% vs 27.7%)

# Comparing DPCS Drivers Across Segments

Taking a deeper look at subsegments illustrates the different comfort and understanding levels across making up the DPCS of the general survey population. But digging into to a few of the individual components of the DPCS equation reveals even more specific drivers of the differences. Below are some examples in graphical form of how these individual metrics can differ significantly from the general population and compared to each other.

# Tracker Knowledge Ratio

When looking at the ratio of those who said they were aware of how tracking code could potentially be loaded indirectly onto their site from software they directly install, vs those who were unaware, broken down into various subsegments of the population you get the following graph:

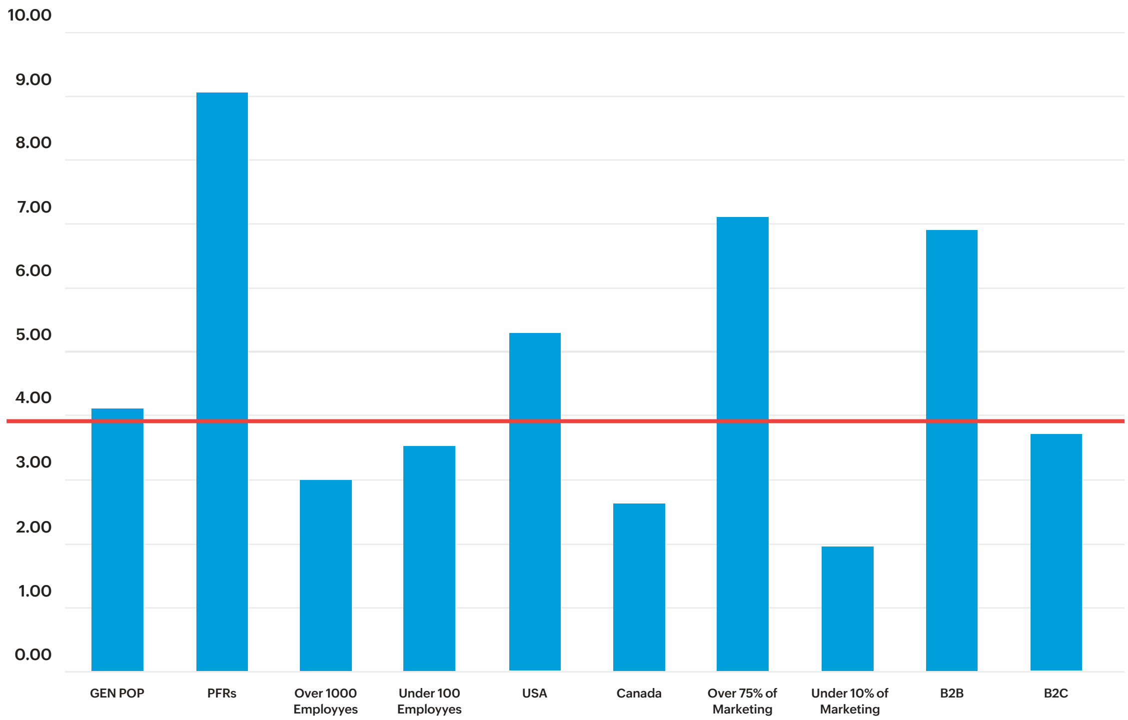



As the graph illustrates, there are significant variances from the general population ratio of 5.8, with those who said using ad platforms were a primary factor in meeting sales objectives were 15 times more likely to know about tracking than those who said they weren't.  Those working at B2Bs along with those devoting over 75% of their marketing budgets to ad platforms, had ratios about twice as high as the general population.  On the other hand, respondents devoting less than 11% of their marketing budgets were about half as likely to say they knew about tracking compared to the general population.

# Silent Tracker Ratio

Another ratio that displays the significant differences in these subsegments is the Silent Tracker Ratio – those who said they knew about tracking but didn’t communicate that to customers and site visitors, vs those who said if they knew about tracking they wouldn’t have installed the software onto their site in the first place.

**Silent Tracker Ratio**

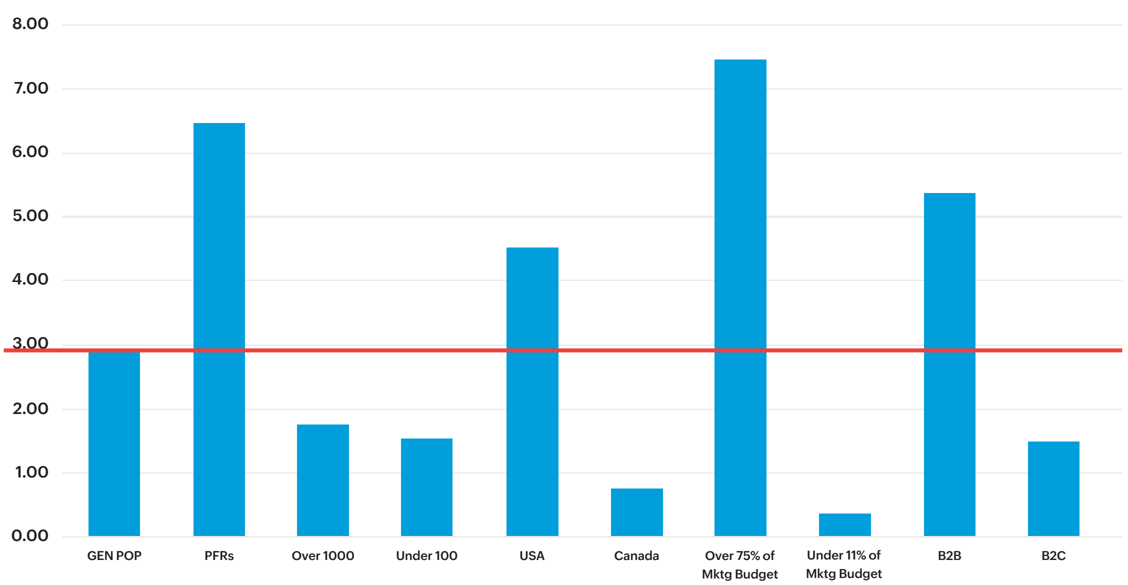



Once again, the variances from the general population score and between subsegments are easily visualized – with B2Bs, those devoting over 75% of marketing on ad platforms, and those saying those platforms are a primary factor for sales success significantly more likely to say nothing about the tracking possibility to customers and site visitors, then the overall general population. And, as before those devoting less of their marketing budget to ad platforms, and Canadian respondents were way below the general population ratio of 4.14; meaning they are significantly less likely to be doing “silent surveillance”.

## Comfort level with customer data being accessed by companies with no direct relationship

One last ratio that highlights the differences between segments of the survey population is their comfort level with companies in which they have no direct relationship having the ability to access their customer data by way of installed trackers.  Asking respondents to rate their comfort level on a scale of 1 to 5 (with 5 being the highest level of comfort) not only provides an average score, but also to compare those rating their comfort level a 5 vs those who rate it a 1. And the following graph provides one more illustration of the striking differences between the various groups:

**Indirect Relationship Comfort Ratio**



This particular graph shows how every subsegment varies significantly from the general population ratio 2.84, with some groups being very comfortable with data flowing to companies with indirect relationships to them while other groups are very uncomfortable with that circumstance, relatively speaking.

These few examples tell a tale of how knowledge levels, comfort levels, transparency and dependency levels lead not only to big differences in scores between survey segments, but more importantly it leads to different opinions and approaches to dealing with customer data privacy. With each company having to decide what works for them in terms of successfully generating revenue to sustain their business, and how to do it in a way that also values their customer's privacy. And with more interactions taking place digitally, this is an area that calls for constantly evaluating what works best for the business and their customers.

## ABOUT BRENT LEARY

Brent Leary is a CRM industry analyst, speaker, author and award winning blogger. He is the co-founder and managing partner of CRM Essentials, LLC, an Atlanta-based CRM/CX advisory firm focused on tools, platforms and strategies for improving customer engagement.