



General Data Protection Regulation

Overview: The impact of GDPR on organisations and marketing

Introduction

The problem of unqualified or poor-quality customer data has marred businesses for a long time, however the quality of customer data is now being pushed to the top of the corporate agenda, with brands growing to understand the importance of the sensitivity surrounding customer data, particularly in light of the recent General Data Protection Regulation (GDPR) and its impending enforcement.

ClearComm understand the full impact of the GDPR on today's businesses and help assess how organisations can capitalise on the back of the new regulation to best improve market performance whilst becoming GDPR compliant.

At times the GDPR may seem somewhat painful to read, however in spite of all the horror stories in relation to the GDPR, we set out to demonstrate that the regulation can be a positive thing in the hands of data-driven marketers, presenting a key opportunity for businesses to engage in permission-based marketing and enjoy the rewards available to them.

The introduction of the GDPR is a turning point in data management and will ensure organisations understand the process of the collection, use, management and storage of customer data, benefitting both businesses and their clients.

ClearComm believes that the GDPR will now become the default position for brand marketers, leaving you, as an organisation, with two choices: you could do the bare minimum required to comply with the regulation or you could seize this opportunity to become a highly effective data-driven marketing business.

The issue with data quality

Customer data is of key importance in the business world and nowhere more so is this the case than in marketing. Marketers should consider good quality contact data as being the most important positive factor when looking at campaign responses and conversion rates. Good customer data also played a fundamental role in the second most important marketing performance factor, segmentation and targeting.

Customer acquisition is the greatest challenge currently facing organisations and faced with continual customer turnover, it is clear that good quality customer data is absolutely key.

Many businesses are struggling to maintain satisfactory data quality standards, with incomplete or out-of-date customer data, leading to a loss of revenue as a direct result.

The following factors negatively affect the maintenance of high quality data:

- Time lapse: with customers inevitably changing their addresses, jobs, preferences, social and legal status, data that is accurate can become out-of-date in an instant and updating records is not a straightforward task.
- Data conversion: it is rare for the data conversion process, whereby data is moved or consolidated from an initial source, to occur without some degradation to the quality of the data, even if the conversion itself goes off without a hitch. The source data itself may not have been clean to begin with and thus poor-quality data is transferred from one system to another.
- Database consolidations: despite being of huge importance, it is sadly inevitable that database merging often takes place under tight deadlines without the correct understanding of how to carry out the procedure resulting in poor quality and duplicated data.
- Basic CRM and data management programs: in the absence of a robust data retention software, what invariably happens is that unqualified data is being added to poor quality data, using out-dated data entry screens and protocols, resulting in unverified and unvalidated data being used and stored.

In light of this, it is absolutely essential that businesses improve their systems and processes in preparation for the upcoming enforcement of the GDPR.

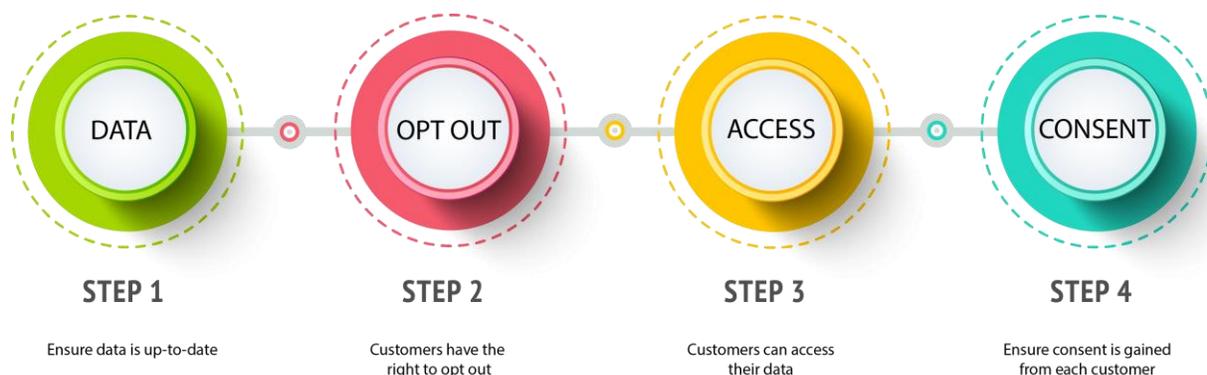
What is the GDPR?

The GDPR, which is due to be enforced by the European Union on 25 May 2018, was designed to harmonise consumer rights in Europe and represents a key shift in the way customer data is used and managed, granting customers control over their own data and tightening the rules around its collection.

Intended penalties for organisations found to be in breach of the GDPR have sent a shockwave through the business world, with non-compliant firms facing fines of up to 4% of global turnover or €20 million, whichever is greater and the door has also been opened for potential customer litigation, should there be incompetence or negligence at play.

To be GDPR compliant firms must ensure that:

- Data is up-to-date: GDPR Article 5 states that *“Every reasonable step must be taken to ensure that personal data that is inaccurate...is erased or rectified without delay”*. Since poor quality data is a key issue for so many businesses, steps must be taken to ensure that personal data is accurate and up-to-date.
- Customers have the right to opt out of marketing: should a customer opt out, it is vital that businesses immediately cease all marketing to that customer.
- Customers have the right to opt out of automated profiling: this will impact Customer Relationship Management (CRM) systems and will create challenges for businesses seeking to retarget past customers. Technical issues around the identification and removal of duplicate customer profiles from multiple databases are also likely to arise.
- Customers have the right to request their data: pursuant to the GDPR, should a customer request their data, businesses are required to provide to the customer all data currently held about them in an easily accessible format. The rolling-out of this may well prove to be onerous for businesses that are not properly managing their customer data.
- Organisations must have consent to use customer data: customer consent is at the heart of the GDPR and businesses are obliged to ensure that customers understand at all times what data is being collected and how it is going to be used. The GDPR states that consent must be as easy to withdraw as it was to give.



Marketing post GDPR

How will marketing operate after the implementation of the GDPR and how will businesses change their customer engagement and data management strategies to reflect this?

Less data to work with

Companies may need to request permission from existing customers in order to receive ongoing communications, although GDPR Article 47, which states that if organisations can demonstrate 'legitimate interest' they may continue to lawfully process data from their existing database, which in turn may provide an alternative option. This is due to the fact that processing data for marketing purposes may be considered as a legitimate interest, with the outcome being that firms may only be required to provide customers with the opportunity to opt-out of future communications.

For businesses to claim legitimate interest however, their data has to be accurate and up-to-date, for there can be no legitimate interest if businesses are not communicating accurately with their customers. It is key that organisations start improving the quality of their data *straight away* if they wish to avoid a shortfall in usable customer data as of May 2018.

Difficulty with using third-party data

Unlike the rules around marketing to existing customers, there is no legitimate interest in relation to the use of third party data and it is vital that businesses using third-party data ensure that the data is compliant with the GDPR.

The GDPR was drafted to provide customers more control over their personal information to and third-party data represented a large part of the problem, with third-party data brokerage resulting in a situation where individuals had no idea which organisation held and used their data and did not know how to assert their subject access rights.

Without a doubt, the volume of third-party data will reduce considerably after the implementation of the GDPR. This will have a positive impact, in that the remaining data will be more accurate and of greater value to businesses. Businesses must work with reliable, trustworthy data providers, who have the required technologies, systems and controls in place to ensure compliance with the GDPR.

Marketers will undoubtedly be forced to have to change tactics, as the old model of sending out thousands of emails will change, to be replaced by a more direct model whereby each customer is treated as an individual and engaged with on a more intimate level.

Uncertainty around sourcing of third-party data

With data providers under increased scrutiny, marketers are showing increasing concern around using data sourced from third parties. It is believed that nearly 50% of organisations are now exclusively relying on customer data captured directly from their customers.

There is genuine concern about the GDPR compliance by third parties and the likely outcome of this shift in opinion is that organisations will be less and less inclined to rely on data sourced from them.

One outcome of the shift towards relying on own data sources, is that marketers will have a significantly reduced range of data available on which to base their campaigns. To overcome this, businesses are encouraged to work in partnership with a trusted third-party data provider, which will have increased the quality of its customer contact data post-GDPR, therefore increasing campaign performance.

Increased importance of customer retention

The strategic importance of building strong, sustainable customer relationships will be reinforced by the GDPR, which will force organisations to assess how they treat their customers and gauge



whether they are providing a value exchange that is beneficial to the customer. Since the GDPR requires organisations to make it as easy to withdraw consent as it is to give it in the first place, the onus will be on businesses to ensure not only that they are granted permission to process data but also that the trust with the client is maintained on an ongoing basis. The GDPR therefore creates a strong impetus for businesses to put greater importance on building and maintaining customer relationships.

A reduction in bad practice will result in better marketing

With better data management, there will inevitably be an increase in marketing performance levels, since businesses will be forced to interact with their customers in a smarter way and although there will be less data at their disposal, the available data will be of a much higher quality and therefore more useful.

The quality of opt-in customer data versus opt-out data is undeniable and opt-in data certainly performs better. Open rates are higher, resulting in higher levels of engagement and conversion rates. Research suggests that opt-in data open rates are over 80% higher than opt-out data open rates and the disparity is even greater when looking at click-through rates, with opt-in having more, on average, than twice the click-through rate of opt-out.

Marketers will also save money by using higher quality, lower volume customer data and the increase in customer retention as a result of the reputational benefits of transparency and ethical marketing are not to be underestimated. As such, there are many mutually beneficial outcomes of the GDPR, for both the organisation and their customers.

Businesses need to examine how they can best utilise the process of guaranteeing GDPR compliance as a catalyst for wider improvements to their marketing and customer engagement processes. The implementation of the regulation can act as a new start and businesses with a keen eye will see this as a great opportunity to re-engage with customers and revamp their data collection and management systems, with a view to improving operational efficiency and campaign performance.

GDPR growth opportunities

Businesses can look to improve many processes as part of the GDPR compliance, understanding that they will also open new possibilities and opportunities for making wider reaching improvements to marketing strategy and process:

Data capture

Businesses are advised to dedicate time to exploring how, where and why data is captured. Organisations seek to use many different channels for data capture, with the majority using websites as the primary channel of capturing data. Other channels include direct sales, face-to-face contact and call centres. It is vital that there is a standardised data capture approach, in light of all these various means of collecting data, businesses should ensure that consistency is key.

Incomplete, out-of-date and duplicate information forms much of the data considered to be of poor quality, which is a very powerful incentive for ensuring that data is validated automatically either when being captured or at the point of entry. Sadly however, many businesses do not have or are not following best practice when it comes to data validation.

Does your company automatically validate data when it is entered online or does it fail to engage in any validation whatsoever? How much of the data collected from direct sales, face-to-face and contact centre's is validated on entry?

Indeed the data capture stage can be utilised by businesses to drive customer engagement and trust. Transparency and honesty are always valued in marketing communication and serve to make the client feel like they are a human being, rather than a piece of data.

Data cleansing

Mistakes however do happen, even with increased care and attention being paid to data validation and on top of that, customer data is always changing, as addresses and other details constantly shift. If these disparities are not consistently being addressed, the overall quality of a database will decline rapidly, resulting in less effective marketing campaigns and ultimately impacting the bottom line.

Therefore it is absolutely crucial that organisations have systems in place to ensure that data is regularly and thoroughly cleansed, to ensure that they maintain a consistently high standard. Many companies either have no data cleansing process in place at all, or they only clean their data once per year, very few organisations engage in daily or continuous data cleansing.

This is the perfect context for the GDPR to come in, since the regulation demands that organisations only have up-to-date, accurate information and serves as an example of a way in which tightening regulation can also improve market performance. Focusing on growth and customer intimacy will place businesses in a fantastic position for practicing smart marketing i.e. running great campaigns, analytics and delivering deeper customer discernment. The ROI of a business will be significantly impacted if their data is out-of-date, as a result of a lack of proper and effective data cleansing.



Enhancing existing data

As has already been discussed, there is a trend of marketers relying on third-party data less and less, due to concerns around GDPR compliance, choosing instead to rely exclusively on customer data they have captured themselves. The result of this is that organisations are missing out on the services of compliant and effective third-party data sources, which can enhance and enrich their existing data. Reputable third-party data providers can improve the performance of marketing campaigns and can ensure that data is up-to-date and of a high quality.

Consent

Although customer data that has not been 'permissioned' pursuant to the GDPR does not have to be discarded so long as there is a legitimate interest and the data is up-to-date, organisations might opt to 'renew' marketing data by contacting customers to obtain the requisite consent, thereby ensuring that it is safe to continue processing the data after March 2018.

Contacting customers in this context could also act as a way of re-engaging with lapsed customers and identifying accounts that are inactive, so that they may be removed from the database. Customers could also be asked at this stage if they would like additional information or services, resulting in increased marketing avenues and deeper customer intimacy.

Although email is the most popular method of contacting customers for renewing consent, there are some people that prefer to receive direct mail as opposed to digital communication in this context, confirming that to do so makes them feel more valued. As such it may be a smart move for organisations to engage in renewing consent or reviewing conditions via regular mail.

In addition, it is vital that businesses clearly communicate to customers the value they will receive in exchange for granting permission, otherwise it is very likely that customers will not opt-in if there's nothing in it for them.

Businesses should also be aware that this is a time sensitive exercise, since the enforcement deadline is drawing ever closer. The sooner renewed consent is commenced, the better, since customers will be inundated with such requests as the deadline draws near.

Many organisations have not even begun to consider this process and its ramifications. The process of renewing consent is likely to take six months, or longer, so businesses are encouraged to start looking into this as a matter of priority.

Conclusion

Data quality has long been a significant factor in marketing performance, however its significance has grown and will continue to grow with the impending enforcement of the GDPR.

With the GDPR enforcement deadline looming, businesses are beginning to consider and deal with their data quality issues, especially in light of the significant financial penalties being levied against the non-compliant. The implementation of the GDPR can also be used by forward-thinking businesses to upgrade and refine their wider marketing efforts.

To ensure GDPR compliance, organisations will have to engage in a full audit of their data processing strategies, systems, processes and technologies to ensure that they are operating at the right level. As part of this audit process, businesses can also increase the quality of data provided to marketers thereby nurturing and strengthening client relationships, increasing engagement and improving performance.

To stay on top of the game in a post-GDPR world, businesses will have to adhere to the new norms, which include:

- Consistent capture of data across various channels;
- Validating data at the point of entry;
- Robust data cleansing and enhancement processes, to ensure that data is up-to-date, permissioned and compliant;
- A greater, more holistic understanding of clients and their lives;

- An increased focus on customer retention; and
- A more open, transparent relationship with customers, based on genuine value exchange.

Being GDPR compliant is a vital first step. But why stop there, when you can chose to look beyond compliance and solve the dilemma of data quality, becoming a leader in the field of marketing excellence in the process?



Ensure you are GDPR Compliant

GDPR Data Protection Solutions



ClearComm

part of the Kingston Smith Group

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