

Insight report:
**The GDPR and its
implication on the use
of customer data**



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Foreword

The issue of poor-quality customer data is one that has blighted businesses for years. But the growing need for brands to build customer intimacy and the impending enforcement of the General Data Protection Regulation (GDPR) have pushed data quality to the top of the corporate agenda.

In this report, we're going to explore why data quality is such an issue for today's businesses, what impact the GDPR will have, and how forward-thinking organisations can use the regulation as a catalyst for improvements to their marketing performance.

Make no mistake, the report brings painful truths to light. But the important nugget that we want you to take away from this document is that despite all the scare stories surrounding the GDPR, the regulation could very well be a boon for data-driven marketers.

It presents a decisive opportunity to embrace the values of permission-based marketing that have long been lauded by thought leaders such as Seth Godin and Don Peppers – and a chance to reap the benefits that it brings.

It also heralds a new era of robust data management; an opportunity to deliver proper rigour to the capture, use, storage and management of customer data for the benefit of both customers and companies alike.

As we will discover in this report, the GDPR drives a 'new normal' for top-performing marketers. Your choice as an organisation now will be to see your work on the GDPR either as an exercise in minimum viable compliance, or as an opportunity to become a leaner, cleaner data-driven marketing machine.



Neil Davey
Managing Editor,
MyCustomer

The data quality problem

Whether referring to it as “the lifeblood of the organisation” or “the new oil”, the business world is never short of superlatives to emphasise the importance of data. And nowhere is it more critical than amongst marketers.

This is borne out by recent research from Royal Mail Data Services - [The six per cent solution = how better customer data drives marketing performance and business growth](#) - which revealed that marketers cite good-quality contact data as having the greatest positive impact on campaign response and conversion rates. What’s more, good data is also instrumental in the factor that respondents nominated as the second most important to marketing performance – segmentation and targeting.

At a time when customer acquisition is rated as the biggest challenge facing marketers today (reported by 52% of survey respondents), and in the context of an average 19.8% annual customer churn, the value of good-quality customer data cannot be overstated.

But businesses face a number of obstacles to maintaining high-quality data, including:

- **Time decay.** Customers are not static – they move, their needs change, they change job. In an instant, data that was accurate can become inaccurate. And updating records to reflect these changes can be hard when you may not even realise that personal circumstances or preferences have changed.
- **Data conversion.** Most databases begin life with the conversion of data from another pre-existing source. Unfortunately, this process rarely passes without a hiccup or two, with some datasets failing to migrate to the new database, and some degrading during the conversion. Even if the conversion is seamless, the source data itself may not be perfect, so poor-quality data merely propagates from one database or system to another.

The data quality problem

- **System consolidations.** Whether due to corporate mergers or the phasing out of old systems, database consolidations are important. However, they are also often performed in tight timeframes and – in the case of mergers – in the midst of the culture clash of two IT departments. Data in the new consolidated systems may suffer the same issues as a data conversion, but in addition to this there are dangers that there will be overlapping data as well.
- **Ineffective data management programmes.** Without a robust data-quality programme, organisations will potentially be pouring poor-quality data on top of poor-quality data - with badly designed data-entry screens generating too many errors, data being added to the system without validation or verification, and irregular cleansing of the database.

Evidence suggests that, in the face of these challenges, many businesses are failing to maintain satisfactory standards of data quality. The research indicates that seven out of ten marketers complain that they have incomplete or out-of-date customer contact data. And this number is on the rise – having soared 12% since 2014.

Jim Conning, managing director of Royal Mail Data Services, voices his concern for the impact this can have on customer relationships.

“If I get a piece of mail, be it email, direct mail or any other form of communication, and my name is spelt wrong, I think that the company doesn’t care about me,” he notes. “There are suggestions that banks have between half

a million and two million accounts for which they hold wrong addresses. We know that telcos have substantial numbers of mobile phone accounts with the wrong addresses on them. Retailers just aren’t building any form of real data accuracy. All-in-all, this means customer intimacy is proving elusive.”

According to the Royal Mail Data Services research, the average cost of poor-quality customer data to UK organisations is now running at a staggering 5.9% of annual revenue.

Against this backdrop, businesses must prepare for the enforcement of the GDPR – something that could potentially compound the problems of those organisations that are poorly managing their customer data.



About the GDPR

Due to be enforced by the European Union on 25 May 2018, the GDPR represents one of the most significant and important developments in the use and management of customer data over recent years. Designed to further enhance rules about how businesses across Europe can use information about individuals, the regulation will enshrine rigorous new rules that put consumers in control of their own data, while strengthening their rights around how data is collected and used.

The eye-watering size of the penalties involved have captured the attention of the business world. Those organisations in breach of the GDPR are being threatened with fines of up to 4% of global turnover or €20 million – whichever is greater. However the [Information Commissioner](#) **has stressed** that the largest fines will be reserved for only the most serious of breaches, rather than being the ‘norm’.

There is also the potential for compensation claims by individuals damaged by the organisations’ breach.

There are several key aspects that demand particular attention, especially in light of the data challenges mentioned earlier.

- 1. Data must be up-to-date.** Article 5 of the GDPR states that personal data must be accurate and, where necessary, kept up-to-date: “Every reasonable step must be taken to ensure that personal data that are inaccurate...are erased or rectified without delay.” Given the issues with data quality we have already explored, this core principle of the GDPR could be a concern for many organisations.
- 2. Customers have the right to opt-out of use of their data for direct marketing purposes.** If a customer initiates this, all marketing and use of the data for direct marketing purposes to that customer must stop immediately.

About the GDPR

- 3. Customers have the right to opt-out of automated profiling.** This produces a legal affect, for example, affects decisions around whether the product can be provided to the customer or its price. This may impact systems such as CRM where profiling results in, for example, a pricing differentiation. It will also create obstacles to retargeting past customers. For organisations that are not efficiently managing their customer data, there is also the technical issue of identifying and deleting duplicate customer profiles from multiple databases.
- 4. Customers have the right to request their data.** The GDPR requires that, upon request, businesses must provide customers with the data they hold about them. This must be in a commonly-used, machine-readable and structured format – again, something that could be onerous for those organisations that are not managing their customer data effectively.
- 5. Organisations must have consent to use customer data.** Consent is arguably the central tenet of the GDPR. Companies are obligated to ensure customers understand what data is being collected and how it is going to be used. Furthermore, the regulation insists that businesses make it as easy to withdraw consent as it is to give it.

The GDPR's impact on the marketing world

So what will characterise GDPR's impact on marketing? How will organisations re-shape their customer engagement and customer data management strategies and operations beyond May 2018?

There will be less data for organisations to work with

Existing customers may not be correctly permissioned for receiving communications from your organisation. This suggests that companies may need to gain opt-in consent from existing customers by implementing repermissioning strategies.

However, the regulation does indicate that organisations can continue to lawfully process personal data from their existing database if they can demonstrate 'legitimate interest'. In Article 47 of the GDPR it states that the processing of personal data for direct marketing purposes may be regarded as a legitimate interest.

This represents something of a saving grace for marketers who'll be able to continue to communicate with customers where an existing relationship has been established. In most cases, organisations will merely have to ensure they provide a clear opportunity to opt-out of communications going forward.

However, inaccurate data could potentially jeopardise this. Jim Conning notes: "If you aren't building any form of real data accuracy, there is a knock-on effect with the GDPR, because if you aren't communicating accurately with your customers, then how can you claim legitimate interest?"

Therefore, organisations that fail to act now to improve the quality of their customer data can expect a shortfall in permissioned, usable customer data from May 2018.

Marketing using third-party data will be more difficult

While marketing to existing customers can qualify as a legitimate interest, there is no legitimate interest when using third-party data. Organisations must ensure that any third-party data they use is GDPR compliant.

Stephen McCartney, director of information governance and DPO at Royal Mail Group, explains: "The legislators saw third-party data brokerage as an issue that needed to be solved. Data is sold to a whole range of

The GDPR's impact on the marketing world

organisations, and individuals have no idea who these organisations are; they have no idea how to assert their subject access rights; and they don't know what's going on with their data once it's held by these companies. And so the GDPR's consent standard for the third-party data brokerage industry was set high in order to give individuals more control over their personal information."

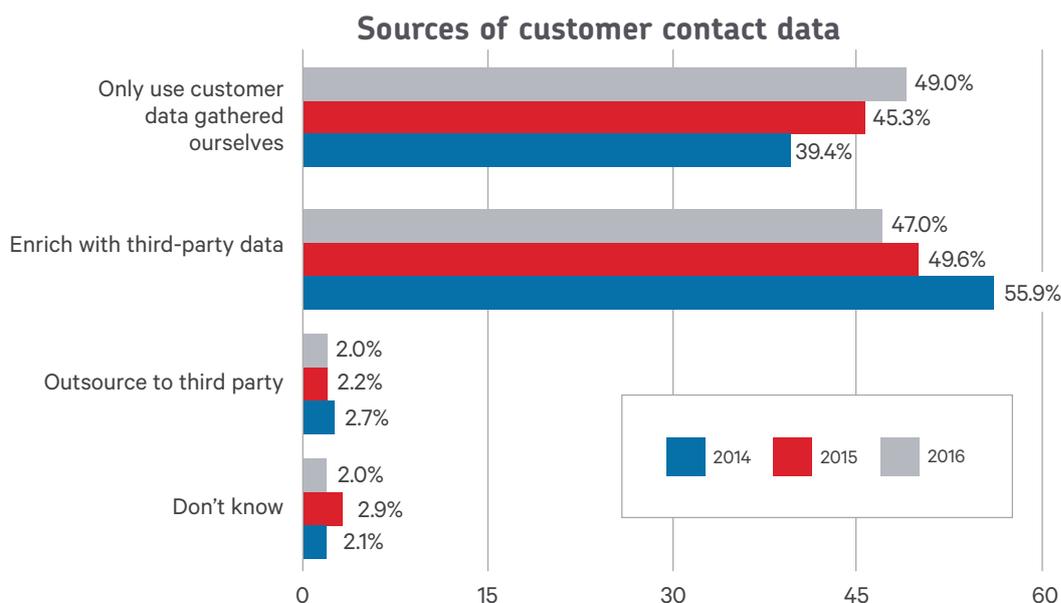
The volume of third-party data available will no doubt reduce as a result of the GDPR. But the positive impact is that the remaining data will be of a far higher quality and therefore of more value to organisations.

As data providers come under increased scrutiny from their customers, the onus is on organisations to work with reputable, trusted providers with the necessary systems, technologies and processes in place to ensure GDPR compliance.

As Stephen McCartney continues to explain: "The upshot for marketers is that they will need to earn their corn going forwards. They need to actually say, 'do you want to hear from us because here's the value exchange involved, and here are the advantages of hearing from us', rather than the old 'rack 'em high, sell 'em cheap' model of sending out thousands of emails and hoping some of them stick to the wall."

Businesses will be more wary about sourcing third party data

Evidence demonstrates that marketers are becoming increasingly concerned about using data sourced from third parties. This concern is borne out by [Royal Mail Data Services research which found](#) that nearly half (49%) of organisations are now relying solely on customer data they have captured directly themselves. This compares to just 39% of organisations who were relying on their own data in 2014.



Source: The 6% solution, Royal Mail Data Services

The GDPR's impact on the marketing world

42.5% of respondents said they were either 'very' or 'quite' concerned about whether external sources are compliant with the GDPR. As concerns around compliance grow, it is likely that marketers will continue to pull back from using third-party data sets.

However, one unintended consequence of relying solely on their own data is that marketers will be significantly narrowing the range of information and insight needed to support their campaigns. With the enforcement of the GDPR and the drive to customer intimacy based on better-quality customer contact data, organisations would be well advised to embrace the use of permissioned and compliant third-party customer contact data by working in partnership with a trusted provider. Overall customer data quality and therefore campaign performance could be improved by making use of third-party validation and enhancement services rather than relying solely on information captured directly from customers.

Customer retention will become more important

The GDPR will reinforce the strategic importance of building strong, sustainable relationships with customers. The regulation will force businesses to evaluate whether the value exchange they are offering is balanced more in favour of the company or the customer, and how they will then communicate their case for accessing customer data. And because the GDPR requires that organisations make it as easy to withdraw consent as it is to give it, the onus is not only on them to earn this permission in the first place, but also to maintain trust on an ongoing basis.

“If you’ve got a relationship with a customer, and you develop that, so it’s an accurate conversation, and you give the customer the opportunity to opt-out every time you communicate with them, then you’re going to get more business from that. It’s much cheaper to develop a customer that you already have than find a new one.”

Jim Conning
Managing Director, Royal Mail Data Services.

While the GDPR creates a strong motivation to put greater emphasis on nurturing customer relationships, there are also a great many other reasons why this is beneficial.

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The GDPR's impact on the marketing world

Bad practice will reduce and marketing should perform better

With the regulation ensuring that better management of data prevails, all forms of marketing should perform better for businesses.

Organisations will understand that they must address the costly problem of poor-quality data, and ensure they use the customer data they do have in a smarter way. And while there will potentially be less data to use, the data that is available will be of a higher quality.

Opt-in data undeniably performs better than opt-out data. Open rates are higher, leading to higher levels of engagement, clickthroughs and ultimately conversion rates. [Research by ClickZ](#) reports that the open rate for opt-in data is over 80% higher than open rates from opt-out data, while the variance in clickthrough rates is even greater – on average opt-in had more than double the clickthroughs of opt-out.

What's more, using higher-quality but lower volumes of customer data also equals cost savings for marketers. And it is also worth

considering the reputational benefits of being a more transparent and ethical marketing organisation, something that engenders trust and increases customer retention rates.

Stephen McCartney says: "I think once the industry gets to the acceptance stage, and it engages with the GDPR constructively, we'll see mutually beneficial opportunities for both marketers and their customers."

Forward-thinking businesses are examining how they can use the process of securing regulatory compliance to serve as a catalyst for wider improvements in marketing and customer engagement. The regulation is providing an opportunity to re-engage with customers, gather consent, and review and revamp data collection, cleansing and management processes.

Compliance is mere table stakes. But the big winners are going to be those that double down on the data work being undertaken to improve operational efficiency and campaign effectiveness.

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Growth opportunities presented by the GDPR

Let's take a look at some of the processes that can be improved as part of the regulatory compliance work which, in turn, open up new opportunities to drive wider marketing improvements.

Data capture

Organisations that are embracing a 'GDPR for growth' strategy will be dedicating time and effort to exploring how, where and why data is captured.

Today's organisations tend to use multiple channels for data capture. The majority of companies capture customer data through websites, but there are many other channels that are also utilised, as demonstrated by the [research from Royal Mail Data Services](#).

While websites are the primary channel for data collection (used by 86.9% of respondents), other channels are also commonly used including direct sales (64.6%), face-to-face (48.5%) and contact centres (46%). With so many channels in play, organisations need to ensure that there is a standardised approach to data capture in place in order to avoid inconsistencies that would compromise the quality of the data. Part of this should be consistency of validation.

[The research](#) also indicates that the biggest contributors to poor-quality customer data are incomplete, out-of-date and duplicate

information – a very good reason to ensure that data is validated automatically either at the point of capture or entry. Yet evidence suggests that many organisations are not following best practices for data validation.

Only 44% of companies automatically validate data at the point of entry online, with 19.2% failing to conduct any validation at all. Elsewhere, only 36.8% automatically validate data on entry from direct sales, face-to-face and contact centres, with 21.8% carrying out no data checks whatsoever. Clearly, this is an area where many businesses could improve practices, data quality and ultimately marketing performance, as part of their regulatory preparations.

A further point that forward-thinking organisations will be considering is how the data capture stage can be developed to drive engagement and trust.

Stephen McCartney explains: "It's key to start treating the person at the end of any marketing communication as a human being rather than a piece of data. If you're trying to build a relationship with a customer, why hide permission statements away in your terms

Growth opportunities presented by the GDPR

and conditions, which is one of the things the law is trying to stop. Why not put them front and centre right at the point of initial data capture? That's demonstrating transparency from the off and helps to build trust."

"If you've got out-of-date data and you don't have a solid cleanse process, your ROI is going to be significantly impacted."

Jim Conning
Managing Director, Royal Mail Data Services.

Data cleansing

Even with improved data validation at point of entry, data can never be 100% accurate all of the time. Errors can still occur, and even if they didn't, customer data is in a constant state of flux as addresses and contact details change. However, if this isn't tackled head-on, the overall quality of the database will quickly deteriorate, impacting the performance of marketing campaigns and ultimately the bottom line.

For this reason, it is important that organisations are regularly and rigorously cleansing their data to ensure that the quality is of a consistently high standard. However, the [research](#) indicates that over 60% of companies either only clean their data annually, have no formal process in place

or are unclear about how they keep their customer data clean and up-to-date.

Overall, less than one-in-five firms (18.7%) address the issue of data quality with daily or continuous data cleansing. Under the GDPR this has to change.

The GDPR is the perfect catalyst to tackle the data cleansing issue. The regulation demands that organisations have up-to-date information, so this is now the opportunity to implement formal processes and systems that will not only ensure compliance, but also improve marketing performance.

"You cannot have an occasional data cleanse," warns Jim Conning. "You should be finding a way of systematically cleansing your data and keeping your data up-to-date on at least a monthly basis. In an ideal world, customer data needs to be cleansed on a continuous, automated basis if growth and customer intimacy is the ultimate destination. This will put you in a great position to practice smart marketing - to run great campaigns, to run great analytics, and to deliver deeper customer insight. If you've got out-of-date data and you don't have a solid cleanse process, your ROI is going to be significantly impacted."

Enhancing and enriching existing data

As we have already noted, marketers are pulling back from using third-party data resulting from concerns around GDPR compliance - and this trend is only expected to continue for the foreseeable future. This leaves organisations relying solely on customer data that they have captured themselves. While these concerns are

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understandable, it does mean companies are missing out on compliant and effective third-party data sources that can not only provide new marketing opportunities, but also enhance and enrich their existing data.

Therefore, in an effort to ensure compliance, organisations may actually be inadvertently missing out on opportunities to improve the accuracy and effectiveness of their customer data - a case of throwing the baby out with the bath water. By using properly permissioned and compliant third-party data sourced from trusted, reputable providers, marketers can improve the performance of their campaigns while at the same time ensuring that their data is up-to-date and of an altogether higher quality.

For instance, enhancing customer data with compliant life-event data is considered useful to nurturing customer relationships by 61.1% of marketers. It provides both a reason to engage with customers and presents new sales opportunities.

As Jim Conning points out: “Things change – both positively and negatively – in all our lives, and using data to help us understand that is an important piece of treating a customer as a human being rather than just a piece of data. Engaging with customers in this way makes them feel like an organisation really does care about them.”

Those organisations that are keen to embrace a ‘GDPR for growth’ strategy will therefore be those that view third-party data not as a threat to compliance, but as a way to aid regulatory work while at the same time improving marketing performance.

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Repermissioning

Customer data that is not permissioned under the GDPR does not have to be discarded. As we have already discussed, if there is ‘legitimate interest’ and the data is up-to-date, then marketers should be safe to continue processing it. Alternatively, organisations could ‘repermission’ the data for marketing use by contacting customers well ahead of the enforcement deadline to obtain appropriate consent.

This is potentially also a useful vehicle for re-engaging with lapsed customers and identifying inactive accounts that can be removed from the database. Marketers could also use this opportunity to establish if customers would like further information on related products or services, which could not only help to improve relevancy for future communications it could also start the journey towards deeper customer intimacy.

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Email is currently the most popular channel to conduct repermissioning (used by nearly 80% of respondents), but almost half (47%) reported that they are using direct mail. With a recent Royal Mail study revealing that consumers feel more valued when they receive mail rather than digital communication, the decision to place mail at the core of repermissioning strategies may be a wise one.

Whatever the channel, without question the main thrust of the messaging needs to be the value that the customer will receive in return for granting the permission. Unless organisations can clearly convey that value, it will likely be a fruitless exercise.

“You need to make sure that individuals always understand why you’re communicating with them and the advantages they’re getting from it,” says Stephen McCartney. “Just sending out a load of emails asking people to opt-in to marketing is not just going to get you into trouble with the ICO, it’s going to put a lot of people off. Your customers need to understand the value exchange you’re offering them.”

Time is also of the essence. As the enforcement deadline grows closer, so the risk increases that consumers will be bombarded by permission requests from desperate organisations keen to gather compliant data before the deadline passes. As the number of repermissioning messages rises, the more likely consumers are to ignore or decline these requests, so repermissioning needs to start sooner rather than later.

Estimates indicate that nearly one in five companies (17.8%) have already started to do this – but nearly half of all firms (48%) either have no plans or do not know whether they will seek fresh permission from their customers. The clock is ticking for those that do wish to do so, particularly since the research shows that a quarter of organisations who are planning to conduct repermissioning believe that the process will take them six months or longer.

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Director of Information Governance and DPO, Royal Mail Group.

Conclusion

As we have seen, the long-standing challenge of data quality – which has historically had such a significant impact on marketing performance – has now become an issue of even more significance due to the impending enforcement of the General Data Protection Regulation.

With substantial financial penalties being threatened for those that are not compliant with the GDPR deadline, businesses are now being forced to tackle their data quality issues head-on.

But what we have also demonstrated in this report, is that forward-thinking organisations will view the GDPR as an opportunity to refine and improve their wider marketing efforts.

In order to become compliant with the regulation, organisations can revisit their strategies, processes and technologies and ensure that they are not only up to the standard expected by the GDPR, but are also capable of providing marketers with the quality of customer data needed to nurture customer relationships, increase valuable engagement, and ultimately improve campaign performance.

For businesses to prosper after enforcement of the GDPR in May 2018, the ‘new normal’ in the use and management of customer data is shaping up as follows:

- **Consistent data capture across multiple channels.**
- **Validated data at point of entry.**
- **Continuous, dynamic data cleansing and enhancement processes to keep information accurate, permissioned and compliant.**
- **A more holistic understanding of customers and their lives.**
- **A greater focus on customer retention.**
- **A more transparent relationship with customers built on a genuine value exchange.**

So, why just be compliant with the GDPR when you can be one of the organisations that goes beyond compliance – to tackle the data quality challenge once and for all and become a beacon of marketing excellence.

About Royal Mail Data Services

Royal Mail Data Services is the specialist data business of Royal Mail Group.

We're committed to helping our customers build data-driven businesses to improve business performance so we're constantly developing new contact and address datasets as well as new ways for businesses to source, capture and use data. Every day we're providing businesses of all sizes with a combination of contact and address data, data insights and analysis, and data quality management services.

Our customers work with us for so many different reasons:

- **To improve the performance of their marketing and customer communications campaigns.**
- **To tap into the sales and customer retention opportunities presented by using our unique home and business mover data.**
- **To reduce their costs of using inaccurate or out-of-date address data.**
- **To enhance their customers' experiences by delivering more personalised, relevant communications and interactions.**
- **To improve the overall quality of their customer data.**

And these are just a few examples. For details of services and solutions go to:

www.royalmail.com/data

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