

Global CRM Requires Different Privacy Approaches

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American businesses hoping to maximize their investments in customer relationship management systems will have to reckon with an inconvenient fact: People in the U.S. and around the world have different beliefs about privacy. And they'll respond in widely different ways to the intensive data collection and targeted marketing activities inherent in CRM.

What can businesses do about it? Start including the privacy topic in customer surveys and focus groups, and enable customers of all privacy persuasions to self-serve their own information stored in the CRM database.

According to over 10 years of research by Columbia University Professor Emeritus Alan Westin, founder of [Privacy & American Business](#), Americans fall into three groups when it comes to privacy. The "privacy unconcerned" - - who comprise 10% of adults -- aren't worried at all about data-intensive marketing efforts and may respond well to it.

The "privacy fundamentalists" now make up about 35% of adults, representing about 70 million people. They're on the opposite side of the spectrum and are turned off by the same highly personalized marketing that the "privacy unconcerned" like.

The remaining 55% of American adults are "privacy pragmatists" who fall between these extremes. They'll provide their personal information to businesses, but only in exchange for very tangible benefits, such as faster

service or loyalty points.

Businesses that don't segment their American customers according to where they fall on the privacy spectrum run two risks. An overly personalized marketing effort could "freak out" half their customers, while a campaign that doesn't deliver personally relevant offers will leave money on the table with 40% of their clientele.

And this is just in the U.S. What about the rest of the industrialized world? Do their customers break into these same sets of privacy beliefs?

Westin's surveys in Japan show a very similar three-segment division among Japanese consumers. Westin's research in other national markets isn't as extensive, so it's hard to make an exact comparison. But the laws and cultural histories in those regions reflect distinct differences in privacy beliefs.

Europeans are probably, on average, the most "fundamentalist" in the world in their approach to privacy. Europe is the only region to codify privacy as a human right, and Europe has enacted some of the world's tightest restrictions in the areas of direct marketing and third-party disclosure. Why are they so driven? Europeans will say the extensive privacy invasions of the Nazis and Communists have left their culture with a deep appreciation for the value of their personal information.

Latin America and Canada take the next most restrictive approach to privacy. Their privacy laws are based on the European Union privacy principles but are implemented in a more business-friendly way. Opt-in consent is not required for e-mail marketing in these two regions, for example.

Why, in the Americas, did Latin America and Canada take a different path from the U.S.? One explanation could be the lingering remnants of their

colonial heritages. The Europeans who settled Latin America and Canada were Catholic. They forged new laws and customs in the New World based on the Catholic vision of social justice, which requires commercial activity to serve the common good. Data collection in these regions is ostensibly seen through the lens of whether it benefits both individual and society.

Colonial America, by contrast, was shaped by Protestant pioneers who sought to protect the individual from the oppressive tendencies of government. Americans continue to view government intervention in free commerce as a worse evil than the social ills -- such as ubiquitous data profiling -- that result from it.

So how is privacy seen outside the Western world? For the most part, it isn't. Privacy protections are mostly absent in Africa, the Middle East, India, China and Southeast Asia. Japan, which just implemented its first data-protection law ([see story](#)), didn't even have a word for privacy until the American occupation following World War II.

What's the cultural explanation for this difference? The concept of privacy is fundamentally about the dignity and rights of the individual, a very Western idea first crystallized by philosopher Thomas Aquinas (1225-74).

The predominantly tribal and collectivist societies of Africa and Asia haven't developed the same legal protections for the individual. Businesses would be wrong, however, to mistake the dearth of privacy laws there for a lack of customer concern. The human conscience transcends culture and history. So how does a global corporation navigate these differences? How do you design transnational marketing campaigns that appeal to people who want personalized attention, while not offending the "privacy fundamentalists"?

The conclusion I've reached, after years of mulling this over, is that there is really only one way to do this: by letting your customers decide. Put them in control of the information you hold about them by giving them secure

access to their whole profile in the CRM database. And put them in control of how you market to them, offering them different levels of privacy experience to choose from.

For example, your "privacy fundamentalist" customers most likely want an anonymous consumer experience. Let them shop at your stores without needing to disclose personal information and make this the default option for your customers.

Let your "privacy pragmatist" and "privacy unconcerned" customers opt in to providing more personal information. Reward them for it with more customized service, discounts, loyalty points and invitations to participate in market research where they could earn more rewards and influence the direction of your company.

How do you know exactly which rewards your customers would best respond to in exchange for divulging their personal information? I think it would be a mistake to rely on the successful examples of other companies. To find out about your unique set of customers, you'll have to ask them directly.

In your next customer survey, ask them what are the top five qualities about your product or service that give them confidence in your brand, and include "privacy of my information" as one of the choices. Ask them what they look for -- such as a privacy seal or a clear privacy policy -- before providing their personal information. This will establish a simple baseline that you can track over time.

Focus groups offer you the opportunity to get more precise about your approach to privacy. Show groups of your current customers different examples of privacy policies, different opt-in and opt-out choices, and a variety of reward schemes for providing personal information. This level of

feedback from your customers is what you'll need to overcome the internal resistance to change.

This approach is more difficult and will take more time than your CRM project manager may have expected. But, ultimately, getting the consent of the individual is the only way to rise above the world's various cultural and legal differences that will otherwise limit your CRM success.