



Balancing client information and privacy

You don't have to be particularly well connected to know that over the past several years, consumer privacy has become a very important issue in North America. Almost every day, we are bombarded with telemarketing calls, direct mail campaigns, and spam, spam, spam. The increased scrutiny on privacy will have serious implications for organizations wishing to collect and exchange data with clients to better manage their relationships.

For many organizations, particularly those operating in financial services, the ability to exchange sensitive data with clients is vital to business success. Ultimately, the key to success for any organization is the proper balance between collecting potentially valuable information from clients and respecting their privacy. The benefit of this balance is the ability to effectively manage the individual client relationship, which is the fundamental concern for any organization.

To achieve this optimal balance between privacy and data collection, a number of things must be in place. First, there must be a level of trust between the client and the organization. Irrespective of the organization type, there must be a level of trust that is felt by clients that any information that they are providing will be protected and used only for purposes beneficial to them.

In addition to trust, the client must also feel that their relationship with the organization is equitable. In other words, a tangible reward must be offered to the client in exchange for the provision of sensitive information.

There are many examples of systems that successfully manage client information and provide client rewards. Many B2B organizations use client data to segment their client roster and deliver tiered services, some offering personalized services to top clients. Perhaps the

best examples of balance are loyalty programs employed by airlines, hotels, restaurants and credit card companies. These programs are explicit in their intentions and rewards.

While these programs can be and usually are successful, success is not guaranteed. Many programs are unnecessarily complicated or restrictive. They fail to incorporate true rewards for clients. Consequently, these programs

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fail in their quest for customer loyalty (Peppers and Roger's "Inside 1to1," June 30, 2003).


To be successful, any program for collecting and managing sensitive client data in return for a tangible reward should be guided by a number of principles, including:

- **Understand what your clients want and what really drives their loyalty** — Exchanging information for rewards will not work if the rewards are not well-aligned with what clients want or value.
- **Clearly demonstrate the benefits of a mutually equitable relationship to your clients** — If your rewards for client data are minimal or difficult to manage, clients will become frustrated

and thwart your efforts at engaging them in a long-term relationship.

- **Respect your clients' privacy at all times** — Never lose sight of the long-term outlook by sacrificing client trust for short-term gain. Even if trust is violated inadvertently, or to a small degree, the long-term effects will likely be harmful.

An example of a company that has faced the consequences of failing to follow these guidelines is JetBlue Airways, an American budget airline (Peppers and Roger's "Inside 1to1 Privacy," October 2003). In cooperating with an anti-terrorism effort, JetBlue shared personal information collected from its customers with the US Transportation Security Administration. While their intentions were honorable, they did directly violate JetBlue's privacy policy. It is difficult to assess the effect that this will have on JetBlue, but one thing is for sure: this could have been avoided with some up-front communication with clients.

Fortunately, most organizations are not faced with such sensitivities, but it does highlight the fact that a balanced relationship between client data collection and client privacy is not only beneficial, but critical for nurturing long-term relationships with clients. 

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