

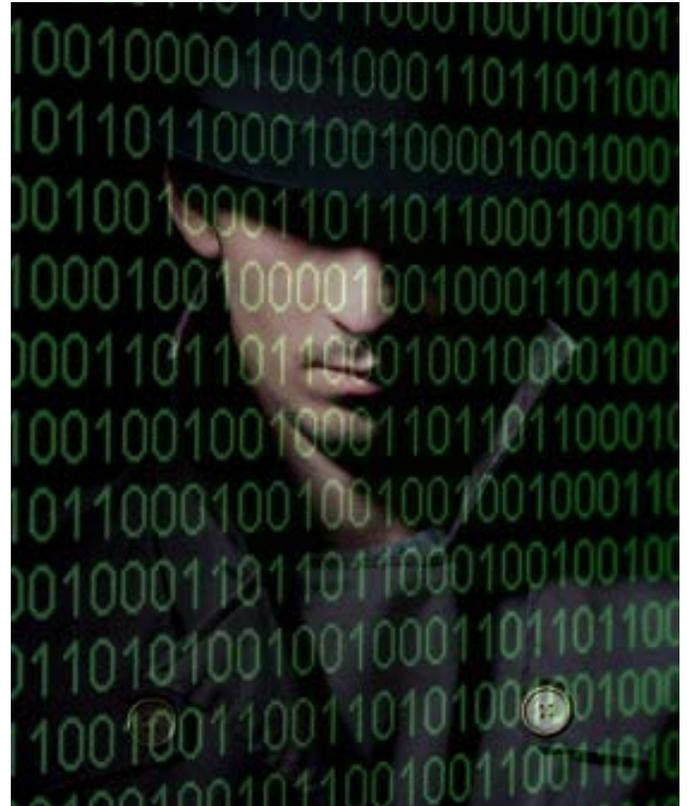
## Prying Eyes:

How e-tailers can collect data without spooking nervous customers in an age of surveillance

**P**rying eyes are watching your online customers. A former National Security Agency contractor caused a panic when he exposed a sophisticated spy program that tracks not only phone calls but the internet activity of ordinary American citizens—not just foreign targets as was previously believed by most.

As a result, news outlets like Huffington Post report that some Americans are curbing their internet activity just to avoid being caught in a national security net. Still, thanks perhaps to smart marketing on the part of online retailers and informed and savvy online shoppers (a group expected to up its online purchases by 62 percent by 2016), consumers are familiar with or understand terms like “cookies,” “Data Mining” and “Predictive Analytics.” They know their purchasing and viewing habits and activity are being tracked—mainly for purposes of consumer profiling with the ultimate aim of being sold more stuff.

The challenge for online sellers in this new age is how to address the question without unnecessarily alarming customers—how to pre-empt barriers to sales while concurrently deepening customer relationships.



It's one thing for consumers to sacrifice personal data in exchange for lower prices or offers of other products they may like, need or want. But with the NSA capacity to track a reported 75 percent of everything that happens online, it's another thing altogether to shop online, unaware of what information the government may be collecting on customers, why, and what may be done with it.

“Amazon has been data mining for years; they have a reputation that they're using that data to improve the customer's shopping experience, not to profile you individually,” said Andrew Powell, Dorsey & Company Managing Director in charge of Web and Information Technology. “Now, the customers of E-tailers and retailers are sophisticated enough to know they are compiling information on them which may be subject to some later NSA snooping program. It's a problem.”

**Speak for yourself: don't let outsiders scare you away from what you do best**

Dorsey & Company President Julius Dorsey cautions marketers against allowing opinions from groups or

individuals motivated by particular agendas about the government's surveillance program to characterize how marketers are using customer information.

"This problem is particularly detrimental to sales if left to the media or interest groups—people who are not marketers—to shape the discussion and define terminology," Dorsey said. "Here's a current example from another industry: Think 'drone.' At first hearing, military and weapons undoubtedly come to mind, but that's probably not the principal use for this technology. What about agriculture, weather, fire safety, hobbies, etc.?"

The revelation of the NSA's so-called PRISM program now creates the challenge for online retailers (and even brick-and-mortar retailers with sophisticated customer loyalty and tracking programs). How does the online retailer not spook customers who may fear they'll be 'dinged' as a potential threat to the government the next time they buy certain books or movies, medications or even sporting goods and supplies?

The solution is not an easy one (especially when the retailers may not have a choice as to whether they turn over customer data to the government), but one thing is certain: marketing and IT must work together to tread the delicate balancing-act of providing transparency (to the extent they can offer it) and making and enhancing sales.

### Transparency pre-empts potential backlash

"My best advice is to be up front and honest; don't pretend you're not collecting and turning over data the government asks for, and that your customers won't ask," Powell said. "You have to tell your customers 'This is what we are doing to keep your information safe. This is what we'll do in the event there is some breach or in the case of inappropriate access of your information.'"

Don't back away from the potential problems. This surveillance issue presents marketers a chance to pre-empt a problem—to deal with it, while not being spooked away themselves from profiling their customers to make future offers based on shopping habits and preferences, said D&Co. Senior Associate and Data Mining expert Scott Terry.

"Data is more than an accounting or operational record; it is an asset that can be employed to build and maximize customer relationships," Terry said. "Businesses must have the know-how to convert data into actionable information through objective-driven Data Mining and Predictive Analytics. Companies that learn how to employ these disciplines in an objective manner will see their customer relationships deepened."

To be sure: consumer profile data is GOLD to retailers, and needn't be sacrificed for fear of spooking customers—it just has to be collected with a little finesse.

"As an online retail marketing manager, I'll have to be careful about the things that will make my customers' sensibilities go off," Powell said. "If a customer is buying outdoor survival books, a smart retailer may ignore this collected data now and not use it to promote aggressively, but if you're buying hunting equipment in the run up to hunting season, I've got to jump on that. You just have to think it through."

In short, remove the shroud of mystery by anticipating customers' questions, avoiding data-driven promotion that encourages customer anxiety, providing easy-to-find and easy-to-understand disclosures, and providing updated information about government collection as soon as it is made available.

"The traditional way for online retailers to communicate is through privacy policy statements and 'terms of use' forms which, to a large extent, customers ignore," Powell said. "The challenge now is to make this information foremost to customers, whether through targeted marketing that ensures the retailer is keeping the customer protected or a letter from the president on the home page, etc.

"That sort of reinforcement drives what the customer wants to believe anyway: which is they're keeping their data safe."

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