

SHARING THE LOVE: LOYALTY SCHEMES

Rewarding customers; gathering valuable data



Building a relationship with customers that goes beyond ad hoc purchases has obvious benefits for any fashion or beauty brand. **The Boots Advantage Card** is the most obvious example in the sector. But of course, it's also about generating data to create deeper understanding of customers and drive increased revenue.

- ▶ **Loyalty programmes are not cheap so you need to make best use of the insight gained.** While EPOS data can give aggregated detail for e.g. timing of purchases, basket size and so forth, the data resulting from loyalty card use can be much richer. It enables a series of transactions to be linked; the brand can look at behaviour patterns and effects on behaviour patterns by matching up successive shops.
 - ▶ **Customers are making a consensual bargain to exchange data for rewards.** If personal data is collected, businesses should obtain the appropriate consents. We are seeing younger consumers much more accepting of this trade-off and less suspicious of releasing personal data than their parents' generation. However, under the forthcoming **GDPR** (General Data Protection Regulation coming into force in May 2018) new measures will be introduced which go over and above current DPA requirements. Consent will be harder to obtain and may also be withdrawn more easily.
 - ▶ **At AG we see data monetisation as a journey.** Many of our clients gather useful data as part of selling to consumers. Some clients already collect and use that data both to provide B2B services and to provide insights into the deepest levels of their own businesses. Others have data, or could collect it, but are understandably protective of their brand and cautious of customer reaction. In between are companies who are making early steps into the field of **data monetisation**, or are considering taking further, bolder steps. Each step of the customer's journey can be customised, and content personalised to grow a relationship that builds loyalty and repeat purchase.
 - ▶ **One key issue is managing customer expectations.** As mentioned, some clients are worried about how use or greater use of data might be perceived. Therefore, some clients have asked customers what they thought the company already did with their data and found that customers thought they were already doing those things they were worrying about. So that bigger risk, which they were worried about, may not exist or may be a lesser ground for concern than was previously envisaged.
 - ▶ **It's essential to avoid getting into hot water with customers or the Information Commissioner.** In some cases, there is a consensual bargain in which customers gladly allow use of data in return for rewards. The requisite permissions are gathered as part of the process of securing that benefit. There is also a lot of power in aggregated data. For example the power behind the data gathered by the Oyster card system, or mobile phone location data. You don't have to use personal details to generate a lot of very useful insights from those databases.
- The legal boundaries of acceptable data use are still being defined in some areas and this is a place where lawyers with the right skills and experience can add real value.**

Accomplished commercial practice with a strong national presence

How can we help

DATA STORAGE & SECURITY

- ▶ Data sets can be large. Many businesses do not have the resources to store and/or process the data themselves. Cloud based solutions are often used however businesses need to consider many issues.
- ▶ We have extensive expertise in data ownership, recovery and security, the destruction of data and where data can be stored safely.
- ▶ With the collection of large volumes of data comes the need to invest in appropriate cyber security measures.

DATA PROTECTION

- ▶ Where personal data is collected, businesses should obtain appropriate consents from individuals. If personal data is fully anonymised and it is not possible to identify a living individual data protection laws will not apply. However, it is possible to re-associate "anonymous" data with specific individuals, essentially re-identifying the data
- ▶ One of the enshrined principles in our data protection laws is of "data minimization". Finding a correlation or pattern within data would not retrospectively justify obtaining the data in the first place, and companies may have to rely on consent.
- ▶ Under the GDPR the use of profiling will be more heavily restricted. Profiling is any form of automated processing of personal data intended, among other things, to analyse or predict people's performance at work, economic situation, location, health, personal preferences, reliability or behaviour. **Businesses should be mindful of the new rules which will also affect security and data retention.**

DATA MONETISATION

- ▶ Establishing strong customer recognition and brand loyalty is paramount in a competitive environment.
- ▶ Businesses can engage customers and generate brand loyalty via customisation, so the individual customer experience feels tailored to them.
- ▶ We have industry leading expertise in loyalty schemes including British Airways - Avios and Sainsbury's - Nectar, including data monetisation schemes and promotional activity.

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