



THOUGHT LEADERSHIP

# THE IMPACT OF CUSTOMER DATA PRIVACY POLICIES ON RETAIL

How Customer Engagement Will Improve  
with the New Rules - And the Right Tools

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# THE IMPACT OF CUSTOMER DATA PRIVACY POLICIES ON RETAIL

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The passage and enactment of two consumer data privacy laws makes the year 2018 remarkable for many industries, particularly for retail. After it was approved in 2016, Europe's General Data Protection Regulation (GDPR) finally came into effect on May 25 – ushering in a wave of strict guidelines on how personal data is collected, stored and used by any organization that does business there. Albeit not as expansive as the European legislation, California passed its own digital privacy law in June that gives consumers more control over and insight into the information companies collect about them and with whom it is shared.

Although the California legislation won't go into effect until January 2020, it should have the full attention of retailers of all sizes and across all sectors throughout the United States. After all, California is the world's fifth-largest economy\* in the world by some measures. The data privacy law is also believed to be the toughest in the U.S., making it much easier for consumers to sue companies after a data breach and the state to fine companies that fail to comply with the new regulations. The passage of the California Consumer Privacy Act (CCPA) is likely to pave the way for other states looking to limit what companies can and cannot do with consumer information. Nevada and Connecticut are two early adopters, and I believe we will see many more states passing similar data privacy acts over the next few years.

For retailers – many of which have only recently recovered from the effects of the Great Recession in 2008 – the passage of such data privacy laws may seem daunting. An alarming 91% of American businesses lack awareness of the details surrounding the GDPR, and 84% don't understand the implications to their business, according to one survey.\*\*

## DATA BREACHES

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It's important to note that these data privacy laws didn't come about because shoppers grew weary of promotional emails and other B2C marketing tactics. The surreptitious use of customer data from social media and web browsing to drive advertising and content were the primary motivators behind these laws – and their relevance was cemented by the Facebook/Cambridge Analytica scandal that surfaced in early 2018. One survey\*\*\* shows that nearly 80% of consumers are aware of that particular breach, in which it was revealed that Cambridge Analytica had collected personal data from millions of people's Facebook profiles to use for political gain. As a result, 58% of the survey respondents said it made them more concerned about data privacy and security than before. In other words, stricter data privacy measures are the direct result of the public's reaction to the mishandling of personal information.

## ADAPTING TO THE NEW NORMAL

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So, why are U.S. retailers dragging their feet to adapt? It's not that they have an exploitative motive behind their marketing efforts and dealings with customers. The heart of the issue might lie in the fact that such rulings seemingly fly in the face of what retailers have been striving to do for more than a decade – and that is to collect all the information they possibly can about their customers so that they can ultimately provide them with the products they want, when they want them and where they want to buy them.



The GDPR and CCPA aren't putting limitations on the type of data that's collected; they are simply putting tighter controls on how it's obtained by retailers and then used, as well as ensuring that the information can be erased completely from records if a customer so desires. Ultimately, it's in the best interest of retailers for their shoppers to want to provide them with their personal information, to feel that the benefit outweighs any concern they might have about how it may be used. Consumers *want* communication from their favorite retailers in the form of utility, entertainment and rewards for being loyal shoppers. If businesses take that into consideration, the passage of GDPR, CCPA and other future state-mandated privacy laws presents an opportunity for better, more meaningful – and most likely, more profitable – customer engagement. Earning a customer's trust is the best path to nurturing their loyalty.

## ONE VERSION OF THE TRUTH

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The challenge many U.S. retailers will contend with is making sure that if a customer opts out, his or her information is wiped entirely from every system in which it lives. It's more complicated than it might seem, given how many digital marketing, social media tools, e-commerce platforms, loyalty programs and the like are available in the marketplace today and may or may not integrate with each other and other retail systems. Of course, the conversation around data centralization is not new by any means – but the fines for non-compliance with GDPR and CCPA are very real and very hefty. There has never been a better time for retailers to implement a system that serves as a centralized hub for managing customer data that feeds their marketing and service solutions.



Having “one version of the truth” – regardless of whether the data was collected in the store or online – will make it easy and ensure accuracy should the request for an audit arise. Such a strategy also has the benefit of laying the foundation for better and more personalized customer interaction.

## NEW METHODS FOR DATA COLLECTION

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In addition to having a central hub to store and manage customer data, retailers will also have to rethink the way they collect such information, and the opportunities they give for customers to opt in and out of communications. Point-of-sale (POS) applications are just one of the many ways retailers can gather information about their customers. However, if the customer doesn't have control over that process, collecting data via the POS puts retailers on shaky ground with consumer privacy guidelines.



If we think about the checkout experience, there are better opportunities for customers to willingly provide retailers with their information while still maintaining control over what data is shared. Retailers can enrich their relationships with their customers by using the customer's phone as a private, secure entry point for information.



Tablets – with their rich display, advanced functionality and familiarity – offer an alternative to PIN pads. Smart retailers are using tablets at various points along the customer journey to encourage shoppers to provide or update their information. For example, a store associate might hand a customer a tablet to create or edit his or her shopper profile while the order is being rung up. The retailer can add prompts to collect even more valuable insights into product preferences that way, too.

Even the traditional graphical customer display – commonly used in many supermarkets over the last 10 years – presents an opportunity to engage with customers more effectively. When converted to a touchscreen monitor, the POS-attached display allows retailers to interact with their customers without being constrained by the payment device.

# TECHNOLOGY IS KEY

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Regardless of the way retailers choose to adapt to the new rules, the first step is understanding how best to encourage customers to readily provide information about themselves, knowing that their data is safe and doing so will enhance their shopping experience in the future. The second is to figure out how to deploy data collection and self-service methods without being constrained by the limitations of a payment device.

At Veras Retail, we are uniquely focused on perfecting the in-store connection. Our software solutions will put customers in the driver's seat, enabling them to control the data collection conversation. Equipped with audit trails to track requests and the movement of customer information, as well as a "Forget Me" button to initiate a cross-system purge, our solutions can ensure that retailers have the tools to address consumer privacy regulations, now and in the future.

To learn more about how Veras Retail can help your business not just comply but thrive in a world with stricter guidelines on the collection and use of customer data, contact us today.

## Sources:

\* *USA Today*, "California now world's 5th largest economy, surpassing UK.," May 5, 2018

\*\* Sage, "GDPR Insights, Awareness and Benchmarks," January 2018

\*\*\* Janrain, "Consumer Attitudes Toward Data Privacy," April 2018



## ABOUT THE AUTHOR

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Bruce Herrier serves as Vice President at Veras Retail. He has worked in retail technology for over 15 years in a variety of roles at companies that include JDA Software and RedPrairie. His primary focus has been to help retailers connect with their customers, largely through streamlining in-store processes.

## ABOUT VERAS RETAIL

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Founded in 2008 as Zoftec LLC, Veras Retail builds unique and innovative software solutions to connect with consumers at the point of decision. It starts at the store, providing point-of-sale/mPOS, inventory, cross-channel execution and CRM applications.

Headquartered in Phoenix, Ariz., Veras is focused on using technology to foster enjoyable, meaningful, and profitable interactions between retailers and consumers. Veras POS solutions power more than 130,000 lanes every day in over 50 retailers around the world. Learn more at [verasretail.com](https://verasretail.com).