Expert group

Me2B Commerce

More value for consumers and brands through better data

Takeaways

1. Despite privacy concerns, consumers want brands to know and understand their personal needs (87% say it's important to buy from a retailer who "really understands me").

2. In a Me2B ecosystem, data is privately shared with brands. The brands learn about the consumer's behaviour in order to provide better and relevant services - exclusively or through partnership.

3. Take part in the journey to Me2B. Learn by gaining access to valuable multi-dimensional customer data. This helps you to develop new innovative value propositions

Hosts

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From B2C to Me2B | More Value to Consumers and Brands through Better Data

Executive Summary

In the Me2B ecosystem, consumers tell brands what they desire! Me2B is an acronym to represent a marketplace in which the individual ("Me") initiates a relationship with a business ("B") and give access to their data for better services and offers.

In the current B2C model, relationships between consumers and businesses are fragile. Brands do their best to identify consumers' needs to service them better, but current data sources like CRM data, transaction data and external profiling data, are unable to create a complete 360o view of the consumer. Brands are eager to collect and analyse more personal data in order to improve personalization. Research from Harvard Business Review1 in 2019 shows that brands are increasingly focusing on personalization in the range of services and cross-industry partnerships to approach consumers personally through multiple channels.[1]

The ongoing instances of data breaches, malpractice and identity theft have taken the consumer's trust in the industry to an all-time low. Brands are, therefore, increasingly facing the challenge of gathering enough data to power their service, while at the same time trying to ensure that they guard data fastidiously.

> "Despite their concerns about privacy, consumers want brands to know and understand their personal needs, with 87% saying it's important to buy from a brand or retailer that "understands the real me"[2]

In the Me2B ecosystem, brands gain access to a much richer and more up-to-date dataset, consented directly by the consumer. Instead of profiling on a narrow single dimension of a consumer's life, brands can analyse across multiple dimensions. The consumer issues explicit and informed consent for access to their data which means their data is shared in a privacy-protected way.

New privacy regulations like GDPR enable the consumer to shift management, ownership and control of data from the company to themselves. The winners among the brands will be determined by those who have the most trusted relationship and transparent value proposition for the consumer.

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1   HARVARD BUSINESS REVIEW: BEYOND REWARDS RAISING BAR CUSTOMER LOYALTY, WWW.MASTERCARDSERVICES.COM/EN/ EXPERT-INSIGHTS/BEYOND-REWARDS-RAISING-BAR-CUSTOMER-LOYALTY
2   HTTPS://NEWSROOM.ACCENTURE.COM/NEWS/NEW-GLOBAL-RESEARCH-FROM-ACCENTURE-INTERACTIVE-URGES-CMOS-TO-PUT-PEOPLE-BEFORE-DATA-COLLECTION-TO-DELIVER-A-BETTER-DIGITAL-ADVERTISING-EXPERIENCE.HTM, ACCESSED 26/11/2019

Consumer loyalty with brands is fragile

Loyalty in the traditional B2C model is under stress. In today's fast-paced environment, it is becoming increasingly difficult to build lasting consumer relationships. In particular in the digital world, these relationships are largely transaction based. Moreover, interactions with brands are often reduced to messages lacking relevance and are therefore perceived as just promotional (or even spam) failing to engage consumers.

> "Either by offering points, miles or cash back, customer loyalty is traditionally transaction-related. Companies offer discounts or money incentives in exchange for customer loyalty. The approach still works, but only to a certain extent. "
> **Harvard Business Review[3]**

Contextual loyalty in which a more personal relationship with a consumer is built, and where you meet them at exactly the right time where a consumer is, is becoming more important, according to Harvard Business Review. 57% of the respondents said that entering into an emotional connection is the main reason for entering into a customer loyalty initiative[4]. A brand needs to prove that it understands the consumers' needs and that it can consistently demonstrate value.

90% of customers have a negative perception of Loyalty programmes.[5]

54% of loyalty programme memberships are inactive.[6]

28% of consumers abandon loyalty programmes without redeeming any points.[6]

Current Loyalty Approaches are broken

> "Customers want to feel that you know them personally, understand them and want to help them by providing the right experiences/ offer at the right time"
> **Joyce Mense, Pathé Theaters**

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3   HARVARD BUSINESS REVIEW: BEYOND REWARDS RAISING BAR CUSTOMER LOYALTY, WWW.MASTERCARDSERVICES.COM/EN/ EXPERT-INSIGHTS/BEYOND-REWARDS-RAISING-BAR-CUSTOMER-LOYALTY
4   HARVARD BUSINESS REVIEW: BEYOND REWARDS RAISING BAR CUSTOMER LOYALTY; WWW.MASTERCARDSERVICES.COM/EN/EXPERT-INSIGHTS/BEYOND-REWARDS-RAISING-BAR-CUSTOMER-LOYALTY
5   DIGITAL TRANSFORMATION INSTITUTE, FIXING THE CRACKS: RE-INVENTING LOYALTY FOR THE DIGITAL AGE, CAPGEMINI 2015
6   COLLOQUY CUSTOMER LOYALTY CENSUS 2017

The "Personalization-Privacy-Paradox"

Research conducted by GfK in 20192 showed that two-third of Dutch customers thought that personalization influenced their purchase behaviour.[7] Unsurprisingly, therefore brands are constantly striving to improve personalization and convenience for consumers. The key to relevant, personalized services lies within the information a brand has on its customers.

> "Consumers are increasingly opting more for a guest account, which makes it more difficult to get to know and reconnect with the customer"
> **Anneke Uiterweerd, Hunkemöller**

At the same time, Consumers also exhibit strong concern about privacy. GfK research found out that 67% of consumers don't want data collected to be used to personalize an offer.[8]

The 'gulf' between these points is evidence of a trust deficit. This 'deficit' occurs when consumers realize their data is being used by others, and for purposes other than what it was provided for. It suggests individuals are increasingly more aware of the value of their data but feel that they do not get sufficient value in return. Prominent reports of tech giants making billions of dollars on the back the individual's data may be strengthening this sentiment.

Regulation is compounding the situation. In Europe, the General Data Protection Regulation (GDPR), aims to protect personal data and give more transparency and control to the individual. Companies may require permission from consumers about what data they can use and for which specific purpose. Consent is one of the ways in which this permission can be provided. To ensure appropriate industry practice, the regulator has imposed strict fines for any malpractice or breach of privacy. The Me2B ecosystem enables data sharing for the purpose of personalization and generation of offers based on one of the highest bars possible consent.

Herein lies the "Personalization-Privacy-Paradox". Historically, when consumers share their data, they give up privacy. This means they can have either maximum sharing (value), or maximum privacy. But the ideal state is to enable BOTH maximum sharing and maximum privacy, where consumers can confidently give access to their data in exchange for value.

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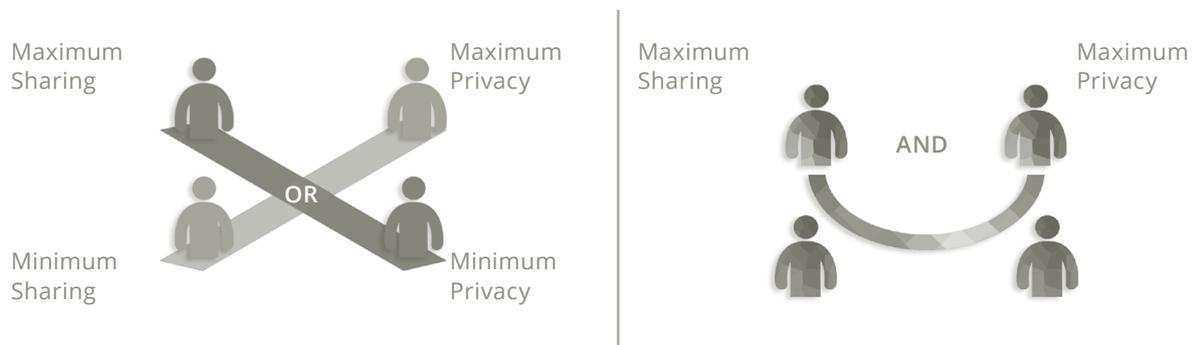
7   GFK RESEARCH: SHOPPINGTIME 2019 - ANNEMARIE PERQUIN - GFK.PDF, HTTPS://WWW.SHOPPINGTOMORROW.NL/NL/RESULTATEN, QUESTION L01
8   GFK RESEARCH: SHOPPINGTIME 2019 - ANNEMARIE PERQUIN - GFK.PDF, HTTPS://WWW.SHOPPINGTOMORROW.NL/NL/RESULTATEN, SLIDE 26

Privacy is a right

The EU government wants a fairer and more effective data economy where the individual has the right of self-determination, where their data is used "properly" and does not end up in the hands of companies that should not have it.

One of the most important regulations in promoting a fair data economy is the GDPR (General Data Protection Regulation, or in Netherlands, the AVG). This regulation covers the management and security of personal data. All organizations must be able to demonstrate which personal data is collected, how this data is used and how individuals are protected. If someone asks to have their personal data deleted, this must be done under certain circumstances ("the-right-to-be-forgotten"), even if the data has already been onward shared with third parties. Any data breach on personal data must be reported within 72 hours. As an individual you can transfer your own data from one organization to another, the Right of Portability. As an organization you need a legal processing basis, e.g. consent from the individual, to be allowed to collect, process and use data.

**What information is covered under GDPR?**

The GDPR protects all personal information. Not only your name, address and age, but also online data such as search history, information from social media, financial data such as your bank account, legal information such as fines, GPS information, medical data, ethnic or educational data and shopping behaviour such as purchases and participation in marketing campaigns or loyalty programs.

What types of permission are required?

An important condition for the processing of personal data is the concept of "lawfulness" of the processing. Privacy legislation (GDPR, Dutch AVG) offers a total of six options to determine whether there is a legal basis of processing data. For example, data processing may be necessary for the execution of an agreement (e.g., a purchase online), necessary for a legal obligation (e.g., filing a tax return) or permission may be given by the user (e.g., to receive personalized offers).

This paper focuses on hyper-personalization and customer experience, which will frequently require customer's consent. Although Me2B is may also be relevant for other data processing use-cases, for the purpose of this paper we will limit our interest to data processing based upon consent.

An Industry shift is required that increases trust and provides value to consumers and brands

A potential way to resolve the "Personalization-Privacy-Paradox" is to ensure "customer-centricity", especially around personal data – handling the individuals' data responsibly, putting the consumer in control, asking for consent and/or being transparent about the usage of personal data. This, in combination with a value exchange, whereby services perceived as relevant and valuable by the consumer are willingly and exchanged for data, will help increase consumers' trust.
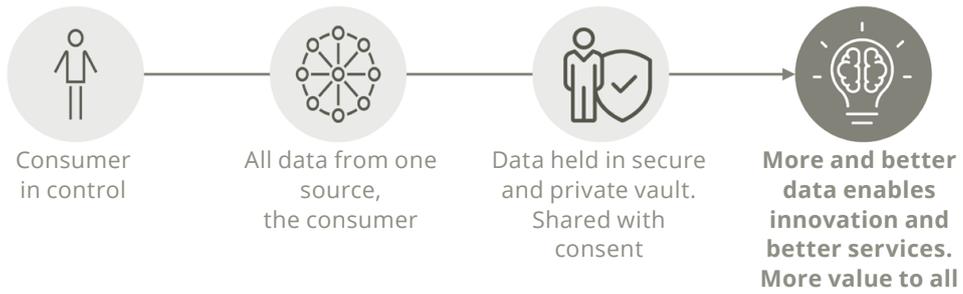
More and better data providing more value to consumers and brands

> "Transparency on personalization is key - choice empowers the consumers"
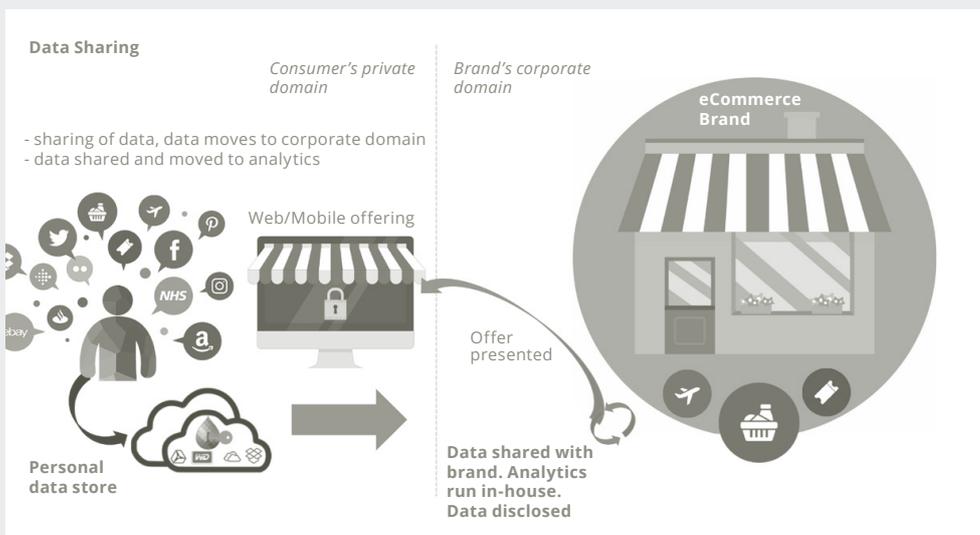> **Andre Walter, Baker McKenzie**

With the right "trust-mechanisms" in place, the consumer is more likely to give brands access to personal information. With the consumer themselves being the richest source of data, this information will provide a complete 360o view of consumers - enabling brands to develop unparalleled offers and highly curated experiences.

Data Sharing and Private Sharing

Data sharing occurs when the consumer consents to share personal data with a brand for analysis within the company. The data *leaves* the consumer's private domain, which increases concerns about possible data compromises.

Private Sharing, conversely, occurs when the consumer consents to share *access* to their personal data. The brand's analysis is moved to the data and runs in the consumer's private domain. In this instance, the consumer's privacy is upheld.

Private Sharing

Consumer's private domain

Brand's corporate domain

- access only to their data, their data remains in private domain
- analytics brought to data, opposed to data brought to analytics

eCommerce Brand

Web/Mobile offering

Offer presented

Personal data store

Brand's analytics run locally. Only analysis answers bay be disclosed
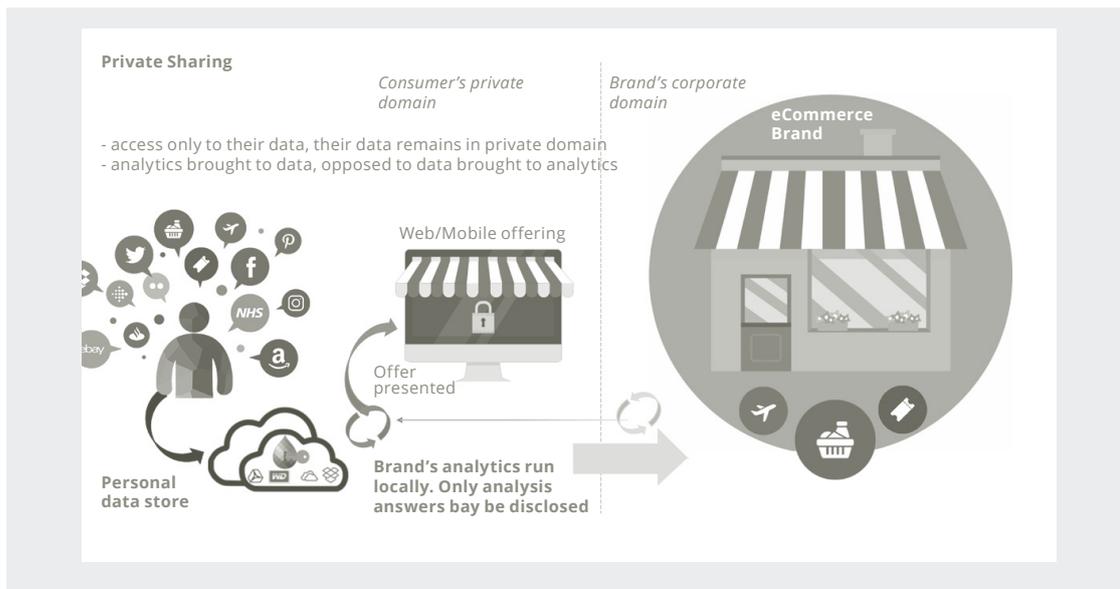
Introducing the Me2B Ecosystem

The Me2B ecosystem enables a mutually beneficial relationship between consumers and brands. Consumers take control of their data. The data can be shared privately with brands, with the consumer's consent. In turn, brands can better understand consumer needs and preferences to provide better services, more relevant offers and superior experiences.
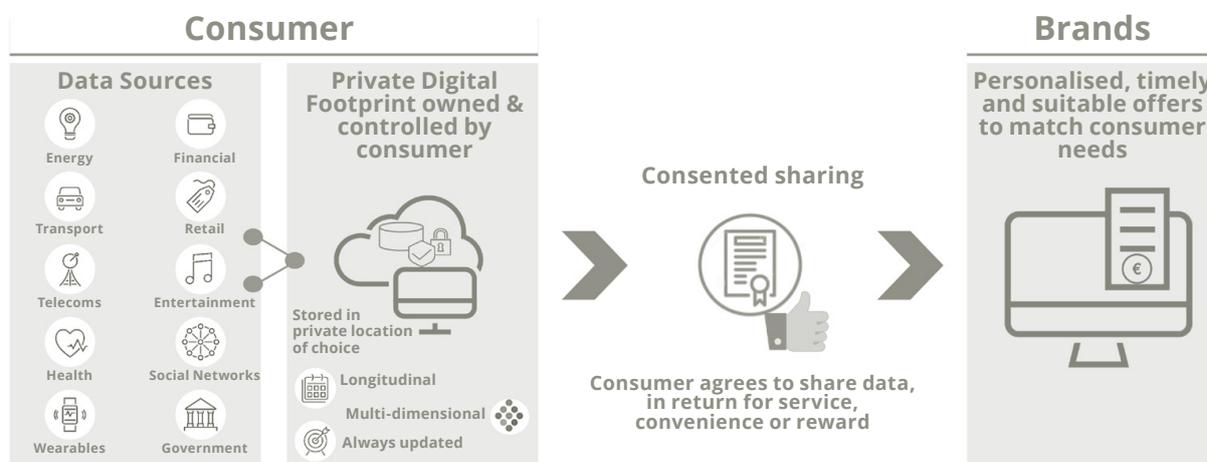
Consumers take control of their data and share with brands

In the Me2B ecosystem, tools are made available for consumers to access and manage their data across multiple sources like social networks, financial services, healthcare, retail, telecom, utilities, travel, entertainment or government. These digital tools are the means to connect with the busy, super-connected consumer. Brands must deliver immediate satisfaction with simple solutions. Of the respondents whose company had recently changed their loyalty strategy, or who planned to do so in the coming year, it was stated that the main reason was to create a more digital customer experience (44%)[9].

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9 HARVARD BUSINESS REVIEW: BEYOND REWARDS RAISING BAR CUSTOMER LOYALTY, WWW.MASTERCARDSERVICES.COM/EN/ EXPERT-INSIGHTS/BEYOND-REWARDS-RAISING-BAR-CUSTOMER-LOYALTY

Consumers store their information in a personal data store, which is a private digital space, owned and controlled by the consumer.

> Me2B is a new step towards optimal personalization and services better tailored to the needs of the consumer. Consumers and brands can both benefit from Me2B.
> **Marc Liem, Communication Manager**

In the Me2B ecosystem, brands can get access to rich, consented information directly from the consumer's personal data store. This data is current (updated), is multi-dimensional in that it covers a wide aspect of the consumer's life and can extrapolate propensity and predictions through the analysis of past trends from longitudinal data. Through which brands can drastically improve their analytics and decision making. This helps them to understand consumers' behaviour and purchase decisions more accurately and thereby generate more value for consumers.

A Win-Win Situation
Me2B creates value for both consumers and brands.

Benefits to consumers
- Access, control and manage personal data
- Obtain value from data in the form of relevant offers and experiences tailored to individual needs and preferences
- Strengthen the individual's data privacy
- Make the use of personal data, sharing and consent more transparent

Benefits to brands
- Obtain unparalleled access to wide spectrum of consumer data
- Reduce the risk of data breaches and penalties from GDPR
- Reduce data collection and storage costs
- Build new, innovative and privacy compliant products and services

The Evolution of Me2B Services
Consumer expectations around better experiences and more relevant brand interactions, as well as the advancement of new technologies - like Artificial Intelligence, means more data will need to be shared. At the same time, however, consumer sentiment and regulations require brands to take stronger measures to protect their customers' data. To get both of those trends aligned, brands have to increase consumer's trust and prove the value of sharing data simultaneously.

With the right trust mechanism in place compliant with regulatory requirement for how precisely rich consumer data ought to be processed - brands can innovate new service and business models. Significant value to both consumers and brands is predicted to come from improved profiling and accuracy and more relevant targeting of consumer services. In addition to this, brands working together can curate new, unparalleled experience for consumers. These are deemed "brand coalitions". In their most advanced format, these can be thought of a dynamic coalition of brands in which multi-brand curated experiences are compiled into a highly bespoke offer to the consumer.

From static consumer interaction to secure, engaging and rich customer experiences

The Expert Group developed two scenarios in which brands could elevate the value of data sharing for the consumer. In the first scenario, existing programs can be significantly enhanced with a new, rich data portfolio to help optimize existing targeting, improve single customer views and allow for the delivery of personalized content. In the second scenario, a coalition of brands comes together dynamically to combine offers and thus bring highly curated experiences to the consumer.

These two scenarios we have called
- Hyper Personalization
- Curated Experiences through Brand Coalition
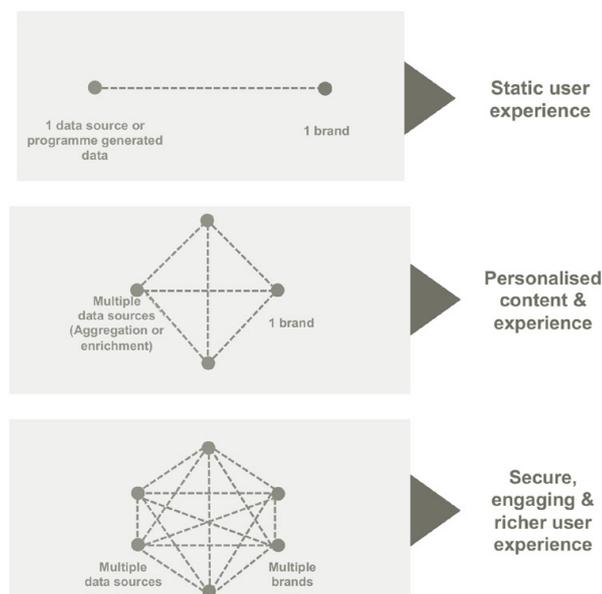
Van statische consumenteninteractie tot waardevolle klantbelevingen

Hyper-Personalization

Brands are constantly striving to increasing customer value and loyalty. Through the Me2B ecosystem, brands have access to a rich spectrum of personal data sources. These data sources can be used to optimize existing engagement, improve the personalization of content and offers and also create new, highly bespoke experiences that previously could not be achieved.

"Me2B makes content richer, relevant and timely for the consumer"
Marc Liem, Communication Manager

Improved Personalisation

Create capability to add data sources to deliver more targeted content to individual consumers, creating more relevant offers

✓ Focus on up sell / cross sell & short term outcomes

New Experiences

Leverage new data sources to create new experiences, to personalise content and / or to remove pain points throughout the customer journey

✓ Personalised experiences drive more engagement

Deeper Engagement

Customer-centric Rewards programme.
End-to-end experience is data driven and personalised to create deeper and richer engagement with the customer

✓ Driving long term loyalty by creating frequent hyper personalised experiences
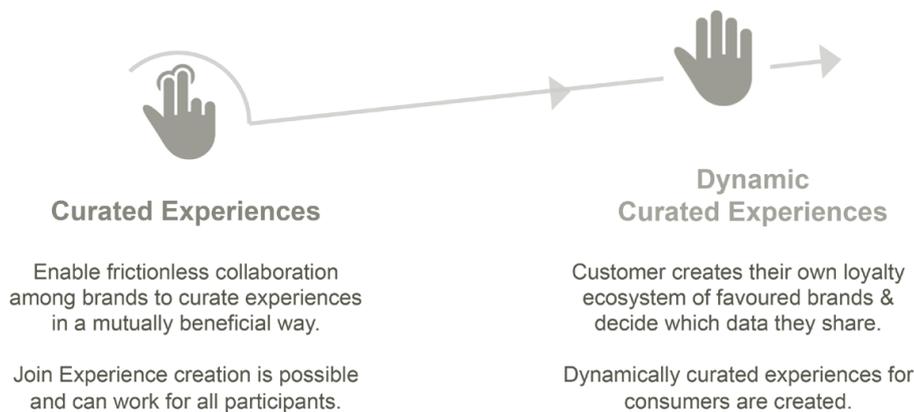
Hyper-Personalisation

Me2B, therefore, enables the brand to understand their customers better: who they are, what they are looking for, and when they seek to consume. More effective and efficient targeting, results in increased customer satisfaction as well as higher ROI. Hyper-personalization is relevant to any retailer: global brands, e-commerce platforms, online marketplace retailers, and bricks and mortar stores alike.

Curated Experience - Brand Coalition

A Me2B brand coalition is a network of brands, in which brands join forces to create better experiences for consumers. Mutually agreed arrangements enable the compilation and delivery of bespoke curated experiences. By collaborating with a wide range of partners, the selection of offer combinations increases substantially. Large brands can partner with small brands – each benefiting from the others' USP. Through dynamic cross-brand collaborations, consumer requirements are met more effectively. The ultimate result is better served customers – a "win-win" for both brand and consumers.

Seamlessly connecting and unique experiences: Customers are enthusiastic about loyalty points, but they also love experiences, benefits and personalized offers that offer them a unique customer experience. The Harvard Business Review[10] study shows that brands are increasingly focused on personalization and brand coalitions that offer consumers ways to gain and leverage their benefits.

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10 BEYOND REWARDS RAISING BAR CUSTOMER LOYALTY, WWW.MASTERCARDSERVICES.COM/EN/EXPERT-INSIGHTS/BEYOND-REWARDS-RAISING-BAR-CUSTOMER-LOYALTY

Curated Experiences

Enable frictionless collaboration among brands to curate experiences in a mutually beneficial way.

Join Experience creation is possible and can work for all participants.

Dynamic Curated Experiences

Customer creates their own loyalty ecosystem of favoured brands & decide which data they share.

Dynamically curated experiences for consumers are created.

Dynamic collaboration use cases

Me2B brand coalition help brands achieve higher cross-sell/ up-sell and innovate around consumer-centric propositions.

> "Me2B offers the opportunity to form new brand coalitions and develop new curated consumer experiences for cinema goers. Me2B brand coalition is a new step further from existing brand partnerships, as the consumer can indicate to us what combination of services is desired. As a result, we as Pathé Theaters learn what the need is, and we offer a unique offer! "
> **Joyce Mense, Pathé Theaters**

> "A potential role for Me2B is to get to know the Hunkemöller client even better based on her service requirements and personal preferences."
> **Anneke Uiterweerd, Hunkemöller**

Conclusion

Consumers are becoming increasingly aware and sensitive about data privacy. At the same time, consumers are demanding better experiences and relevant offers from brands. This "Personalization-Privacy-Paradox" can be resolved through Me2B, empowering consumers to be in control of their personal data and benefit from sharing.

Me2B offers the benefit of generating rich data insights in a fully privacy compliant way. Not only does Me2B reduce the risk of data breaches and respective fines, but also allows brands to reduce operating costs (through removing the cost of data collection, storage, security and consent management).

Me2B enables brands to get a complete 360o consumer view, better engagement through hyper-personalization and curation of unparalleled consumer experiences. Equally, consumers can rest assured that their privacy is being respected.

Technology is ready! Regulation is ready! The consumer is eager to receive great value propositions... Are you ready?

Next steps

Join us on our journey to Me2B, to explore rich, multi-dimensional, full consented customer data, enabling you to develop new innovative value propositions.

The evolution of Me2B will depend significantly on adoption by both consumers and brands. We believe that the new data paradigm offered by Me2B will bring superior value that can inspire that adoption. The opportunity is there for innovative brands to develop a competitive advantage in customer engagement – from program optimization, through improved value exchange, to the creation of innovative new experiences.

Digi.me, Mastercard and cxLoyalty will be running a number of Proof of Concepts ("PoCs") for the eCommerce sector, starting early 2020. We would like to understand how Me2B can add value to you and how to enable Me2B for your organization. We hope you will be able to join us within the context of such a proof of concept.

PoCs and workshops are not restricted to multi-brand projects. They can be made available for a single brand only, so that any ideation remains confidential.

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