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We live and thrive in a data-driven world

We pay our bills, discover new restaurants and book vacations with one quick swipe on our phones. We refill our prescriptions, track our fitness and save time on our commutes thanks to real-time traffic updates. We save money. We stay connected.

Beyond enabling more convenient and valuable digital experiences, data is now fueling our national and global economy. New business models and ways of doing business, while still in their early stages, are steering the global economy toward a data-driven world of unprecedented access, insight, innovation and interconnectivity.

However, as data becomes fundamental to virtually every aspect of our business and professional lives, this data-driven economy is at a crossroads. It will only continue to grow and thrive if we collectively create the conditions where it can remain open, healthy and responsive to the privacy concerns of consumers.

Kevin Dean, General Manager and Global Head of Product, Targeting, Experian Marketing Services notes, “The ‘plumbing’ of the data-driven economy, the part that sits out of sight behind the drywall, out of the view of most consumers, is something that many consumers are becoming aware of for the first time.”

This white paper will assess the rise of the data-driven economy within the media and advertising industry and the evolution of privacy in that economy: How can we ensure that data is used for good, positive and productive purposes? How can we create the conditions that will ensure a healthy and open data-driven economy that changes the world for the better, many times over?

This white paper is for the digital and the data-driven, the organization and the individual, both the business-to-consumer and the business-to-business brand — every link in the chain of the media and advertising ecosystem that is assessing its role in this economy and its future.
The numbers behind today’s data-driven economy:

According to McKinsey, gains for the overall economy as a result of Big Data could be up to $610 billion in annual productivity and cost savings.

Since 2007, data-related products and services have generated about 30 percent of real personal consumption growth, according to the Progressive Policy Institute.

McKinsey estimated that Big Data could yield benefits for healthcare alone of more than $300 billion annually.

Our data-driven economy rests squarely on a growing mountain of information:

According to IDC, 570 new Websites are created every minute.

According to IDC, in five years there will be 450 billion transactions per day.

According to IBM, by 2020, the amount of information in the digital universe will grow tenfold.
A converging digital ecosystem

Advertising is an immediate example of an industry in the midst of a data-driven growth spurt. In this industry, innovation is taking place at a rapid rate. According to research by industry analyst Scott Brinker, the marketing technology landscape has exploded in the past four years. As of January 2015, Brinker estimates that there are nearly 1,900 marketing-technology vendors, up from 947 companies in early 2014 and only 100 in 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Vendors</th>
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<tr>
<td>2000</td>
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</tr>
<tr>
<td>2014</td>
<td>947</td>
</tr>
<tr>
<td>2015 (January)</td>
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According to a study conducted by Harvard Business School in 2012, the digital-advertising industry alone employed more than 2 million Americans in 2012, indirectly employing 3.1 million Americans in other sectors. According to the Progressive Policy Institute, the mobile app industry alone now accounts for more than 750,000 jobs. These are jobs that didn’t exist a decade ago. More importantly, ubiquitous consumer data is bringing programmatic media, interactive marketing and digital-technology companies closer together, forming a new hybrid industry with a common goal: to enhance the digital experience of the consumer.
The notion that every data-driven company is now a technology company starts to make sense in the context of this emerging reality. Organizations at this data crossroads need to be sober about the benefits and risks facing the digital ecosystem. Information security threats are on the rise, and not surprisingly, consumers are becoming increasingly aware of cyber threats. According to research conducted by the Poneman Institute on behalf of Experian Data Breach Resolution, 43 percent of companies experienced a data breach in the past year. Further, 63 percent of consumers now expect organizations to provide identity-theft and fraud-protection services when a breach occurs.

These studies also uncovered a paradoxical trend in consumer attitude and behavior: While consumers are becoming increasingly aware of potential security and privacy risks, few take special measures to protect themselves.

According to research conducted by Experian’s ProtectMyID® of those shoppers planning to shop during the 2014 holiday season, nearly 40 percent still don’t check to see if the site is secure. Further, when shopping in-store, only 41 percent of respondents cover the PIN pad at registers when entering that information, leaving them exposed to “shoulder surfers.”

Called “data breach fatigue” by some and the “privacy paradox” by others, these findings are the latest evidence of an emerging truth: Legal compliance and sound security practices alone cannot meet societal expectations of privacy. Beyond navigating a complex set of international privacy-protection laws, commercial regulations and information security standards, market participants within this data-driven economy also must be mindful of industry codes of practice that seek to address consumers’ anxiety over their privacy. Data-driven organizations play an essential role in educating and empowering consumers to understand how they can protect themselves.

Research from Experian Marketing Services also found that, as of 2014, only 24 percent of consumers report using the Internet less than before because of privacy concerns. In fact, the research shows that the more time that consumers spend online, the more they are willing to provide some personal information to a company in exchange for something that they want.
Interestingly, we also are seeing the rise of another trend in the data-driven ecosystem. Privacy is becoming a core market differentiator for companies. According to the International Association of Privacy Professionals (IAPP), data-driven organizations are increasing their investment in privacy protection and management, and according to IAPP benchmarks, traditional regulatory compliance organizations are continuing to invest in privacy protection and management as well. The IAPP estimates that the Fortune 1000 spends roughly $2.4 billion on managing privacy annually. While “privacy” is still a relatively young industry, the IAPP is seeing the maturation of privacy as a governance function and interesting variances among those companies with mature and early-stage privacy programs.

Turning back to the media and advertising sector, many don’t realize that, despite all the new players and growth, this corner of the data-driven economy already has mature privacy practices, proven experience and demonstrated best practices in data management, analytics and privacy protection. For example, direct marketers were among the first to leverage data to understand consumer behavior and demographic trends. Today, many chief marketing officers and digital executives can trace their roots back to direct marketing. In fact, many would describe the marketing organization today as less like *Mad Men* and more like the *Revenge of the Nerds* because of the criticality of experience around data analytics.

One could conclude that the more established organizations in this sector have thrived for decades and continue to today because they found a way to grow with data while also adopting clear, comprehensive and proactive solutions for the protection of that data. These stalwart businesses have existed for decades as data stewards committed to operate as “data for good” businesses not at the expense of the consumer.

In fact, in the data-driven economy today, many of these marketing companies are brought in as data consultants and experts to help other companies, institutions, trade groups and industries adopt effective data-governance structures and responsible data practices.

Privacy is becoming a core market differentiator for companies.
“Privacy” as a contextual value

Privacy is fast becoming a way to both distinguish oneself in the marketplace and a way to run afoul of consumer sentiment if mishandled. A number of helpful frameworks have emerged over the past decade to assist organizations with their accountability programs. Industry associations and trade groups similarly have stepped up efforts to adapt established privacy principles into evolving industry-specific guidelines. This is most notable within the direct-marketing and online-advertising ecosystems. The Direct Marketing Association, of which Experian is an active member, is one such umbrella group with a comprehensive accountability and member-education program.

In her talk during 2010 South by Southwest (SXSW) titled “Making Sense of Privacy and Publicity,” ethnographer Danah Boyd describes privacy as a negotiation between data-generating individuals and data-driven organizations. Unpacking this idea further, we can begin to view data security and data privacy as complementary aspects of a single whole. The idea that privacy was something we had to give up to enjoy certain products or services is passé. Today, it is not surprising to see businesses employ a wide range of disciplines and methodologies to make privacy a feature. Encrypted instant messages and photos that self-destruct after their recipient views them is but one example of how product developers strive to address consumer-privacy and information-security needs.

If data “security” is the trust in the security and reliability of a system, then “privacy” is individuals having a certain amount of knowledge and choice within that same system. In other words, any environment where privacy is a concern requires emphasis on the individual’s ability to understand and act on the environment in a meaningful way.

Unpacking this idea further, we can begin to view data security and data privacy as complementary aspects of a single whole.

For further reading

Boyd, Danah, Making Sense of Privacy and Publicity, March 2010

Brinker, Scott, Marketing Technology Landscape Supergraphic (2015), January 2015

California Department of Justice, Privacy On The Go: Recommendations For The Mobile Ecosystem, January 2013

Digital Advertising Alliance, Self-Regulatory Principles for Online Behavioral Advertising, July 2009

Experian’s ProtectMyID


Experian’s Global Information Values

Information and Privacy Commissioner/Ontario, 7 Foundational Principles of Privacy by Design

International Association of Privacy Professionals, Benchmarking Privacy Management and Investments of the Fortune 1000, Summer 2014

The White House, Office of the Press Secretary, Consumer Privacy Bill of Rights, January 2015
Privacy foundations via the Fair Information Practice Principles

Data-driven companies that are in the early stages of building a data-governance roadmap or privacy-positive practice within their own organizations can have a stake in designing and complying with standards to improve their performance and standing in the eyes of customers.

In the United States, the Fair Information Practice Principles (FIPPs) are recognized as:

- **Transparency**
  Ensures no secret data collection; provides information about the collection of personal data to allow users to make informed choices.

- **Choice**
  Gives individuals a choice as to how their information will be used.

- **Information review and correction**
  Allows individuals the right to review and correct personal information.

- **Information protection**
  Requires organizations to protect the quality and integrity of personal information.

- **Accountability**
  Holds organizations accountable for complying with FIPPs.

While these principles are not laws, they inform regulatory enforcement (such as by the FTC), existing privacy legislation and cross-border data-flow frameworks, such as the US-EU Safe Harbor. FIPPs also form the backbone of President Obama's recently proposed Consumer Privacy Bill of Rights as well as a number of product-development frameworks, including California's Privacy on the Go app-development recommendations, Ontario's broad Privacy by Design framework and the Digital Advertising Alliance's cross-industry Self-Regulatory Principles for interest-based advertising.
Experian’s approach to fair information practices

PRIVACY PRINCIPLES IN ACTION

Experian Marketing Services has a long history in the marketing industry, with roots in the business for nearly 40 years. As one of four divisions in the broader Experian organization, we operate from a set of bedrock information values that define our culture and touch every corner of our business. For example, Experian has established its own version of FIPPs, an internationally recognized set of principles for addressing the collection, use and protection of personal information.

As a steward of the information it collects, maintains, uses and enables, Experian is acutely attuned to the balancing act required to manage competing expectations to privacy and personalization.

Experian’s Global Information Values are rooted in the FIPPs and represent our commitment to responsible data governance within our credit, information and marketing services businesses.

Global Information Values:

Balance
Experian strives to balance the interest of consumers with the business needs of customers to ensure both receive benefit from information use.

Communication
Experian communicates openly about the information it maintains and how it is used and seeks to inform consumers of their rights regarding the use of information.

Accuracy
Experian strives to ensure the information we collect and maintain is as accurate and up-to-date as possible and that the information is appropriate for its intended use.

Security
Experian protects the information it maintains from unauthorized access or alteration.

Integrity
Experian complies with all laws and applicable industry codes and operates its businesses in accordance with these information values.

These values form the foundation for Experian’s belief that information use must benefit both businesses and individuals while also meeting consumers’ privacy expectations.
Experian’s Fair Information Values Assessment

PRIVACY PRINCIPLES IN ACTION

The Fair Information Values Assessment (FIVA) is one internal risk-assessment process developed and used by Experian. Our FIVA process is designed to work across all relevant functional areas to determine legal, ethical, regulatory, privacy, public-relations, contractual, reputation and policy impacts, risk-significance levels and potential mitigations for Experian products or services that are subject to FIVA review. The FIVA process helps Experian earn and maintain the public’s trust and safeguard the integrity of Experian’s business initiatives.

We incorporate such data-usage checks and balances into our daily operations and product-development efforts to foster the consistent definition and evaluation of ideas in a rapidly evolving privacy environment. While other companies may not share the exact same information values, we recommend that all data-driven companies build and implement similar risk-assessment processes to assess privacy concerns around certain products and services prior to launch.

FIVA process:

**STEP 1**
Identification of potential issues, risks and potential solutions

Compliance and Product Management discuss new or modified products or services to identify potential solutions.

**STEP 2**
Formal regulatory and risk review

A thorough review of business benefits and regulatory/other risks is conducted. Compliance renders its recommendations.

**STEP 3**
Business unit/Risk Management Committee review

If issues are identified, they are referred to the business unit president for further consideration and escalation to the Risk Management Committee.

**STEP 4**
Documentation

Compliance documents the final outcome of the FIVA process.
Solving today’s marketing and privacy challenges is the same exercise

Whether it is paying bills, finding restaurants, catching up with friends on Facebook, booking vacations, or visiting a favorite store in person or online, consumers want — and organizations are challenged — to make the consumer experience seamless across numerous devices, communication channels and consumer touch-points.

In order for marketing to be effective, marketers need to be able to recognize their audience and understand how to meet their expectations of consistent and flexible service. Twenty years ago when the Internet was new, this challenge was more rudimentary with technologies such as cookies focusing primarily on walled content gardens and relatively simple personalization and monetization opportunities. Over the past two decades, however, ecommerce has become incredibly complex due to the cross-device, cross-channel and cross-border nature of increasingly mobile consumers. Today, we are a mobile culture and work force. The growth in smartphones is interesting not only because, according to Cisco, they will be the majority type of phone sometime around 2018, but also because smart devices tend to use more data. Indeed, it is predicted that 97 percent of overall global Internet traffic will be from smart devices by that time.

The growing variety of communication channels and connected devices, when coupled with changing social norms, is adding complexity to the privacy-management process. As industries evolve, data-driven organizations need to look at theoretical frameworks and best-practice guidelines in the context of how customers think and act. How consumers access information, communicate with each other, and buy the goods and services they want will help our society determine what is meaningful without sacrificing innovation in nascent industries such as the “Internet of Things.”

Simply trying to shoehorn privacy safeguards into a product or service after the fact often is insufficient. Marketers, and the technology companies that support them, need to take a mindful, context-based approach to data governance and consumer-privacy management. This is the idea behind a growing concept called “Privacy by Design,” where privacy concepts are specifically “built into” new technologies, data collection devices and analytical tools.

This too is an area where data analytics and insights can be used for the greater good.

As industries evolve, data-driven organizations need to look at theoretical frameworks and best-practice guidelines in the context of how customers think and act.
The path ahead: data for good

The common goal of the privacy frameworks, self-regulatory efforts and best-practice guidelines referenced in this white paper is to foster education, empowerment and trust in the data-driven economy. Concepts behind the holistic information governance and applied ethics that are advocated in Privacy by Design will further this important discussion about what is meaningful to industry and consumers.

A data values/principles approach is only part of the picture, however. According to James Lamberti, Vice President and General Manager of AdTruth, an Experian company, “For data-driven companies, control of their audience information — their most valuable asset — should be paramount. Marketers struggle to deliver consistent and targeted messages because their customer data lives in so many different systems.”

Digital marketers and other data-driven professionals also have a stewardship role to play in the data-driven economy. Everyone involved in the product/service life cycle can become empowered to make informed and balanced decisions about how consumer data is collected, processed, shared and monetized. With this in mind, we can expect to see a convergence in data governance, records management and privacy-compliance disciplines in the near future.

Further, data values and standards are only half of the picture. The data practitioner, any business professional whose job involves working with data-dependent products and services, has a significant role to play to ensure the future of any data-driven industry. We need a higher calling, perhaps even a professional oath, that describes how we do business as professionals — not just as organizations but as data practitioners.

At some point in the history of every profession, something more than regulations is required — something more than the promise to do right by a specific institution. In medicine, that something is the Hippocratic Oath taken by all medical professionals pledging that they will do no harm. More recently, in the wake of the financial crisis of 2008, a group of students at Harvard Business School developed the MBA Oath. It is based on the idea of responsible value creation and posits that business-school graduates have a personal duty to balance ethics and the needs of society with the interests of their companies. So far, more than 6,000 Master of Business Administration graduates have taken the oath and signed the pledge.

As the number and diversity of data-driven businesses and professionals continues to grow, now is the time to establish a professional commitment to seek data for good and to recognize that sometimes this will come at the expense of corporate profits. This credo has yet to be chiseled in stone; it is up to us as practitioners to further the discussion around what that credo or oath will look like.
Conclusion

This white paper has focused on the meaning of privacy as a contextual value and a business-positive differentiator. We hope that the ongoing debate on and attention to privacy focuses the data-driven industry on improving best business practices with respect to consumer privacy.

As professionals operating in this data-driven world, we need to strike a fine, but critical, balance. We should be both data optimists and data realists. The realist in each of us needs to recognize that the bright future before us will only occur if we foster the conditions where the data-driven privacy environment will be open and healthy.

About Experian Marketing Services

Experian Marketing Services is a leader in data-driven marketing and is the only company in the world to offer a comprehensive Marketing Suite that unites customer insights, analytics, data quality and cross-channel marketing technology into a single platform.

Backed by the industry’s highest-rated client services team, we own and maintain the world’s largest consumer database and provide marketing services and cloud-based technology to more than 10,000 brands in more than 30 countries. With significant presence in the world’s largest economies and a portfolio including many of today’s most well-known and respected global brands, we provide enterprises with unique competitive advantages through marketing services and technology.

Our extended legacy in data security, management and consumer privacy has earned the trust of organizations and consumers from around the world for more than three decades.

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