

How to Leverage Customer Loyalty Data without Compromising Privacy



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Introduction

It's no secret that loyalty programs are good for business.

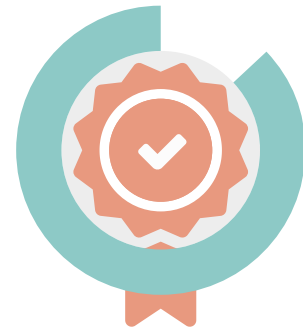
But loyalty programs aren't just good because they bring in repeat customers — they're also a valuable source of customer data. You can use this data to fine-tune loyalty benefits, optimize other parts of your marketing strategy, and foster better relationships with your customers.

Providing your customers with a loyalty program that incentivizes repeat business and gives you insight into who your customers are and what they're interested in can help you create a better shopping experience and improve your bottom line.

“ Loyalty programs aren't just good because they bring in repeat customers — they're also a valuable source of customer data.

Of course, when it comes to customer data, security is the magic word.

With cyber attacks and data breaches [on the rise](#), consumers are justified in wanting to keep their personal information to themselves. For this reason, privacy and security are important components of any successful loyalty program.



87%

of U.S. consumers are members of at least one loyalty program

Source: [Blackhawk Network, Consumer Loyalty Verticals Research Survey](#)

Do Loyalty Programs Really Matter to Consumers?

- On average, U.S. consumers belong to 14.8 loyalty programs
- Of the 14.8 loyalty programs, consumers are only active in 6.7 of them
- 73% of U.S. consumers are more likely to recommend brands with good loyalty programs
- 79% of U.S. consumers say that loyalty programs make them more likely to continue doing business with brands
- 66% of U.S. consumers modify their spending to maximize loyalty benefits

Source: [Bond, The Loyalty Report '19](#)

It's important to note that even without a loyalty program, many businesses are still able to collect customer data through point of sale systems. Many POS systems track general buying habits such as frequency of purchase and paired items. When POS data is paired with personal information, you can create more personalized marketing efforts that bring in more revenue.

Improving Business by Operationalizing Customer Data

When businesses collect data such as customer demographics and interests, they have the ability to make data-driven decisions about services, inventory, promotions, and more.

At the most basic level, this might look like a birthday reward for loyalty program members. Using a single data point (birthday), you can generate a reward that makes the customer feel personally appreciated.

At a higher level of maturity, this might look like offering a discount on an item related to items that a certain customer has purchased, or sending specific recommendations based on the member's preferences.

Essentially, this information helps personalize the shopping experience, which results in delight and satisfaction. In fact, some researchers have found that loyalty members are [6.4x more satisfied](#) when loyalty programs are personalized.

The Risks of Collecting Customer Data

When was the last time you heard about a business being hit with a cyber attack? Chances are the victim was a large corporation. Hackers have a lot to gain by going after these big targets, making small businesses look like small potatoes.

Because of this, small businesses tend to not worry about being in the line of fire for cyber attacks — but they really should. In 2018, [43% of cyber attacks targeted small businesses.](#)

If a breach does happen, it can result in more trouble than just exposed data. The average cyber attack on an SMB can [cost nearly \\$3 million and lead to 8+ hours of downtime.](#)

The main reason small businesses are at a higher risk for cyber attacks is that they're severely underprepared to deal with them. Most small businesses simply lack the technology and experience to prevent data breaches.



76%

of US consumers tend to choose loyalty programs that collect ONLY their name and phone number (or email address)

Are You Up to Date on the Latest Data Privacy Laws?

Since **GDPR (General Data Protection Regulation)** went into effect in the EU in 2018, U.S. states have followed with their own GDPR-style privacy laws, complete with steep fines.

These laws, like CCPA in California and the SHIELD act in New York, require strict data collection policies and high cybersecurity standards for businesses that collect customer data.

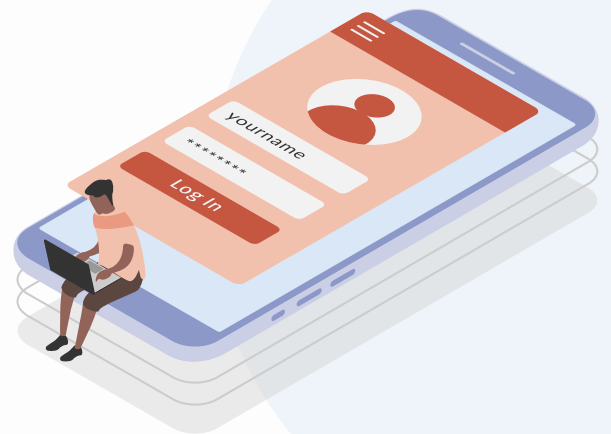
And make no mistake, data breaches can be extremely costly. Between downtime, recovery costs, damage to reputation, and regulatory fines, they can end up bankrupting small businesses who aren't careful.

If a data breach happens, no matter the circumstances, some customers may stop buying from the brand where their information was compromised. [20% of consumers](#) who have been victims of data theft said they wouldn't shop with a small business that has experienced a breach.

In addition, a whopping [76% of US consumers](#) tend to choose loyalty programs that collect ONLY their name and phone number (or email address). Consumers likely prefer sharing minimal amounts of information due to concerns about their personal privacy and the safety of their data. By sharing only their name/phone number/email, they're sacrificing as little as possible in order to collect rewards.

Tips for Secure Loyalty Program Data Collection

Before you begin collecting any kind of data from your customers, you must first get permission. The best way to ensure you always have this permission is to allow your customers to enter their data themselves, typically by having them fill out a form at the register or sign up for an account on your website.



When collecting information, customers should be allowed to know the following:

- If their information will be shared with third parties
- How long their data will be stored
- What their data will be used for

In addition, customers should be allowed to delete their account and remove their personal information from your systems.

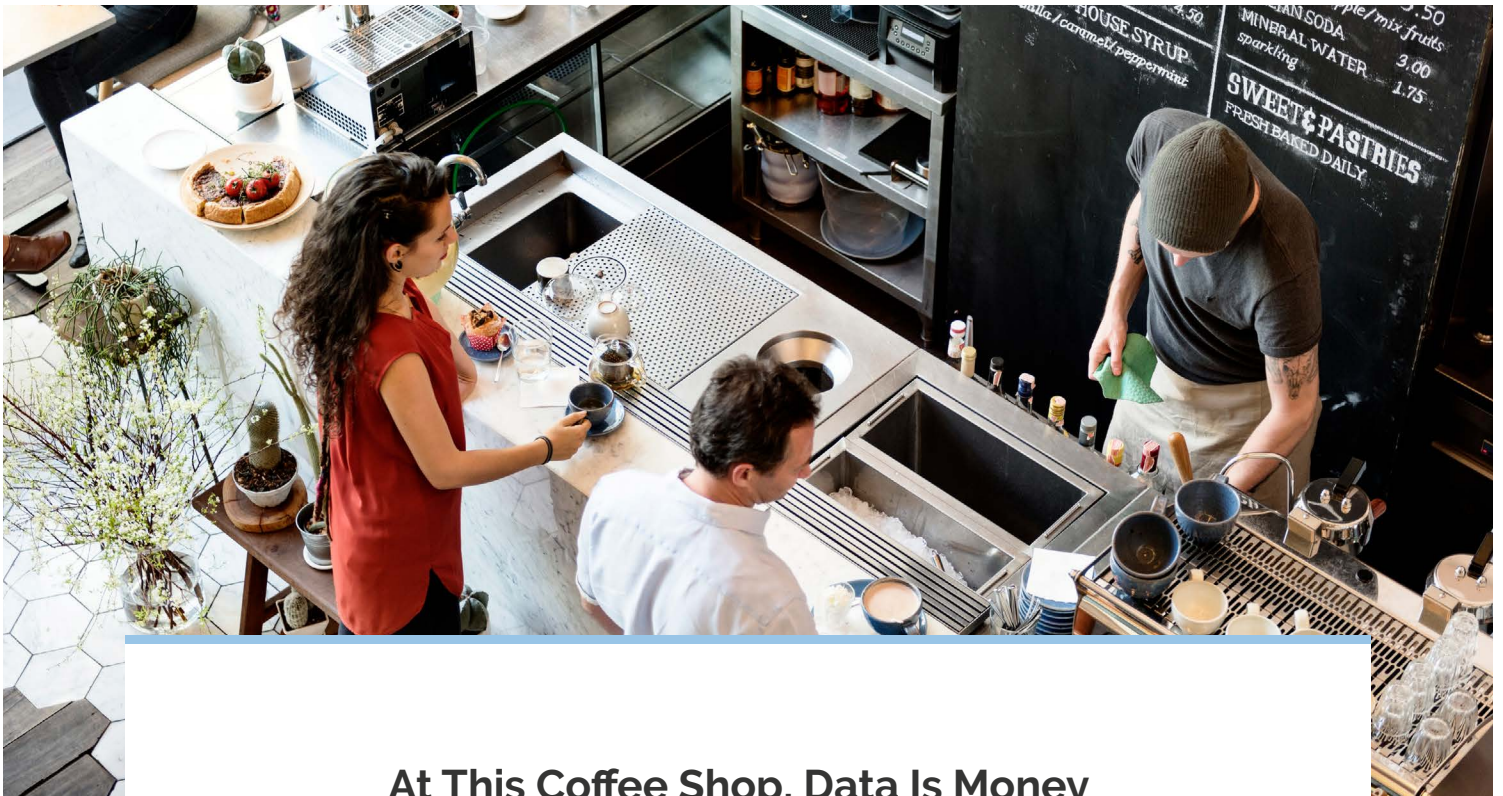
When you ask before you take, let customers know why you need their data and what you'll be doing with it, and give them control over their information, it builds trust and decreases anxiety.

“ In most cases, there's no reason to ask for social security number, address, or date of birth (day of birth is fine, but asking for the year is often unnecessary extra information).

When collecting data, keep in mind that you should never ask for information your business couldn't possibly need. In most cases, there's no reason to ask for social security number, address, or date of birth (day of birth is fine, but asking for the year is often unnecessary extra information). These questions could turn off

customers. And, in addition to preventing sign-ups, holding on to this type of information also makes you a bigger target for cyber criminals.

As discussed, many customers prefer to only provide the bare minimum when asked for their information. In order to truly operationalize customer data, you may want to combine data from additional sources (like your POS) or incentive further participation by offering rewards for completing surveys about preferences.



At This Coffee Shop, Data Is Money

Customers know that their data is valuable. Case in point: Shiru Cafe in Providence, R.I., near Brown University.

This cafe skips the cash and asks students to pay for coffee and pastries with their personal information. By interacting with Shiru Cafe, students are opening themselves up to receiving information from corporate sponsors.

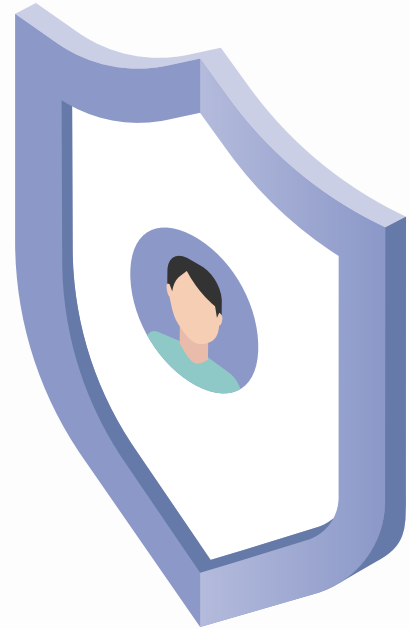
Not everyone is on board. Some students have taken issue with the shop's unique set-up, calling for a boycott of the cafe due to concerns about the principles of some of the sponsor companies.

Source: [NPR](#)

Partner with a Trusted Third Party to Keep Data Safe

Collecting data safely is step one. Storing it safely is another matter.

A good rule of thumb is to think of customer information like inventory; you wouldn't want your stock to be compromised in any way, and you should keep the same attitude toward customer information.



“ The best option for most small businesses is to partner with a third party with excellent data security built in to their offerings.

So, how you can create a strong loyalty program that also protects personal consumer information?

One option is to build your program from scratch. However, this also means you have to create your security controls from scratch. Creating a loyalty program on your own is difficult enough — creating a secure loyalty program is simply out of reach for many small businesses.

Instead, the best option for most small businesses is to partner with a third party with excellent data security built in to their offerings.



Questions to Ask When Choosing a Loyalty Program Provider

To ensure you make the right choice for yourself and your customers, always ask the following questions when choosing a loyalty program provider:

- Will you sell my customers' data to other parties?
- Are your data storage processes compliant with current data privacy regulations?
- What security controls do you have in place to protect my customers' data?

Keep these questions in mind for each third-party provider you consider. The choice can make all the difference in how well your customers' data is protected, so take your time and be thoughtful with your decision.

Conclusion

Loyalty programs are an excellent way to increase revenue, and the most effective loyalty programs are ones that use customer data to personalize the shopping experience.

However, collecting customer data always comes with risk. In order to minimize risk and maximize rewards, businesses should work with a loyalty program provider that provides an excellent service with maximum data security.

**Learn how Spendgo can help protect your
customers' personal data.**

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