

Sponsored by

Zoom Marketing

Independently Conducted by



Presents

**What Marketing Professionals
Think about the Value of Privacy
to Customers**

Published by Ponemon Institute, LLC

September 18, 2006

Acknowledgement

We greatly appreciate the immense contribution provided by Mr. Charles Giordano of Bell Canada and Chairman of the Permissions Management Working Group of the Responsible Information Management (RIM) Council.

Private & Confidential Document. Please Do Not Quote Without Express Permission.

What Marketing Professionals Think about the Value of Privacy to Customers

Prepared by Dr. Larry Ponemon, August 3, 2006

In spite of compelling evidence that privacy-conscious marketing strategies appeal to consumers and are instrumental in building trust and greater campaign profitability, corporate marketing and privacy organizations often operate at odds with each other.

What Marketing Professionals Think about the Value of Privacy to Consumers, conducted by Ponemon Institute and sponsored by marketing strategy firm Zoom Marketing, is based on the responses of nearly 300 randomly selected, U.S.-based marketing professionals. The survey asked questions related to marketers' attitudes toward privacy, perceptions of privacy's utility in marketing campaigns, privacy-related marketing practices, and cooperation between marketing and privacy personnel. Specifically the survey focused on the following four issues:

1. Do marketers care about the privacy of their company's customers?
2. Do marketers view privacy requirements as a barrier or hindrance to effective marketing or customer outreach efforts?
3. Do marketers believe that good privacy practices are important for their company's brand and reputation in the marketplace?
4. What can privacy practitioners do to support marketers?

Findings suggest that many marketers may not be aware of the increasingly strong connection between privacy and brand perception. Recent Ponemon Institute *Privacy Trust* studies of the federal government, retail banking, telecom wireless, pharmaceuticals, and airline industries have drawn a clear association between an organization's respect for individual privacy and a willingness to do business with the organization. Sound privacy practice has even been attributed to increased profitability.

Executive Summary

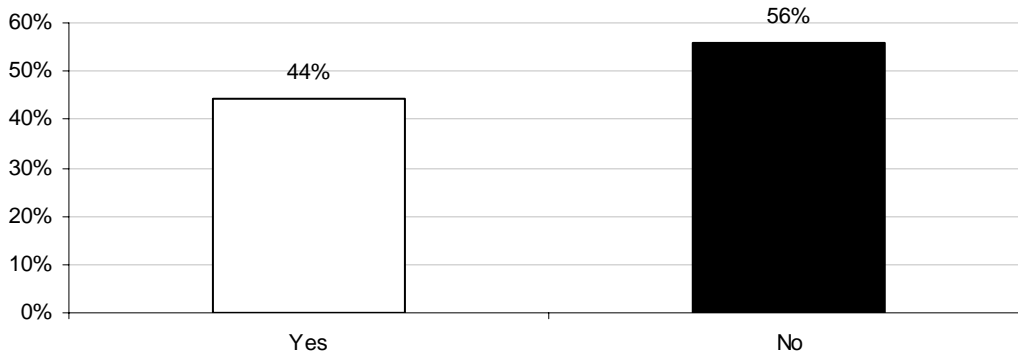
We believe the survey results indicate that companies do not understand the strategic significance of privacy within the context of a successful, profitable marketing campaign. In spite of growing evidence that shows privacy's importance to marketing, and in spite of the obvious association between consumer privacy and brand trust, the data show that privacy is still regarded as an inconvenience to the marketing community rather than an opportunity to build strong, long-lasting relationships. The following are some of the most significant findings from this study.

When and how do marketers interact with their privacy colleagues?

Marketers are aware of the importance of following the privacy policies of their organizations. More than 72% of respondents review their organization's privacy policy before planning how and when to contact customers. Seventy-seven percent of respondents understand their organization's commitment to protecting customers' personal information. Many also recognize the negative effect a data security breach could have on customers' perceptions of their organization.

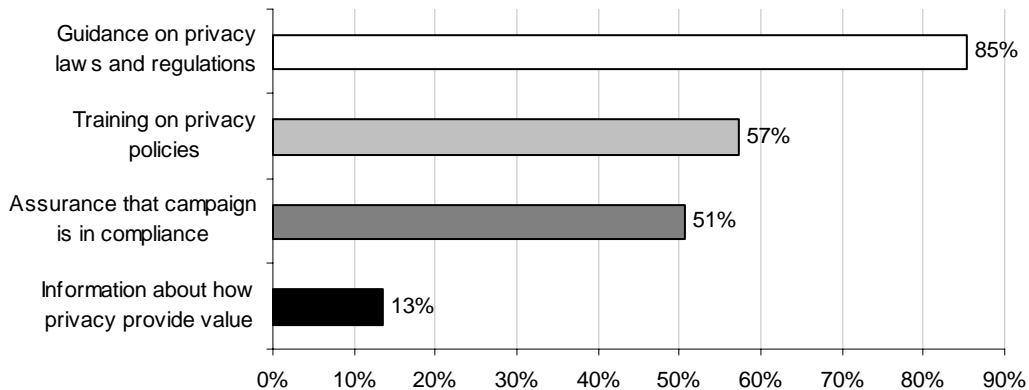
However, as shown in Bar Chart 1 below, only 44% of respondents report that they have found it important or necessary to ask for advice or counsel from their organization's in-house privacy office when planning a marketing campaign and only 13% (Bar Chart 2) responded that they have asked for information about how privacy adds value to a marketing campaign.

Bar Chart 1
Have you ever asked your organization's privacy office for assistance when planning or implementing a marketing campaign?



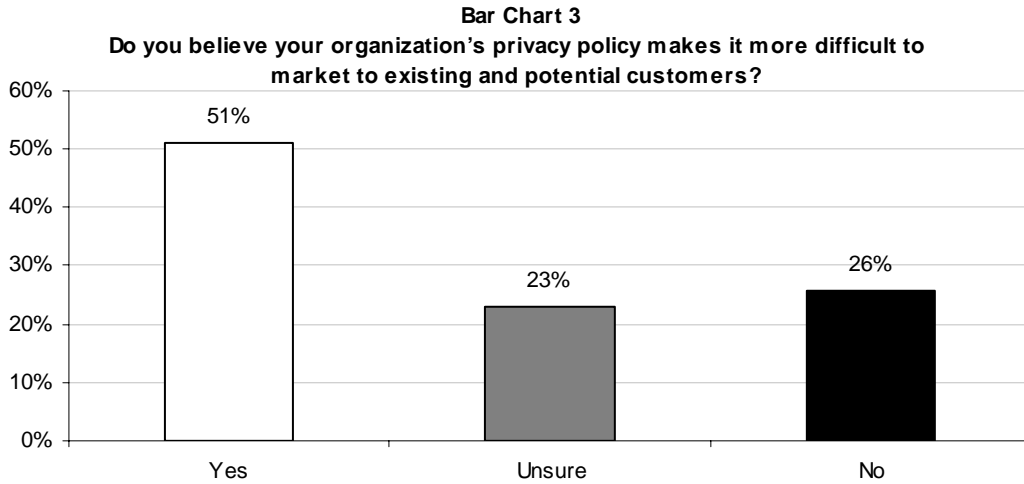
Bar chart 2 also shows that those marketers who did contact their privacy office for assistance wanted guidance on specific laws (85%), training on the company's privacy policy (57%) and assurances that marketing efforts were in compliance (51%).

Bar Chart 2
What services did the privacy function provide?

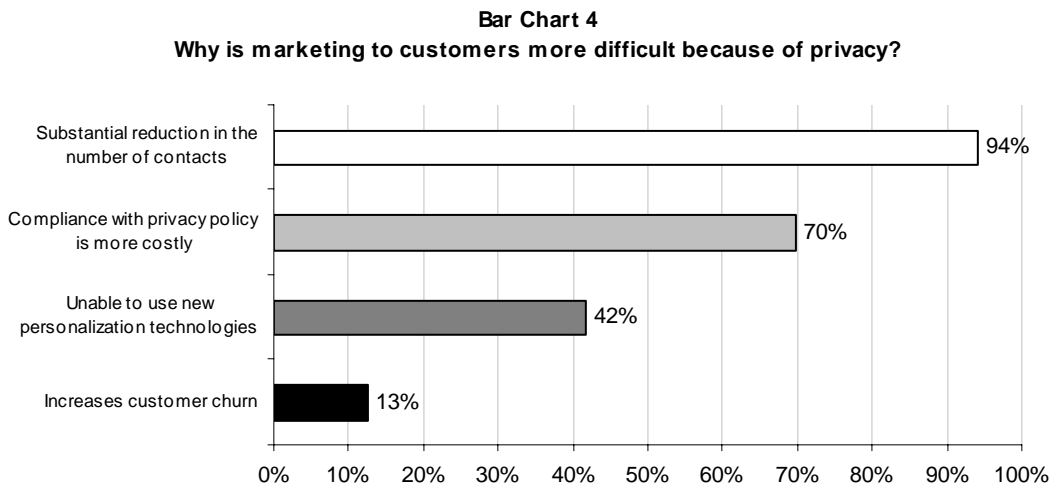


Why do marketers consider privacy requirements as a barrier or hindrance to effective marketing or customer outreach efforts?

As shown in Bar Chart 3, more than 51% of respondents state that their company's privacy policies make it more difficult to market to existing and potential customers.

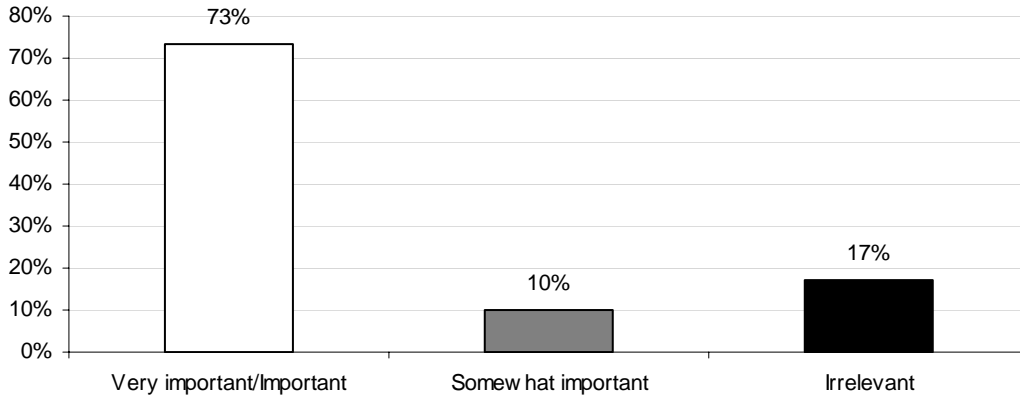


Of those respondents who view privacy as a barrier to effective marketing, Bar Chart 4 shows that over 94% of marketers believe that their company's privacy policy substantially reduces the number of prospective customers to contact. Another 70% believe that privacy causes unnecessary compliance costs. And, 42% believe that privacy prevents the company from using state-of-the-art personalization technologies.



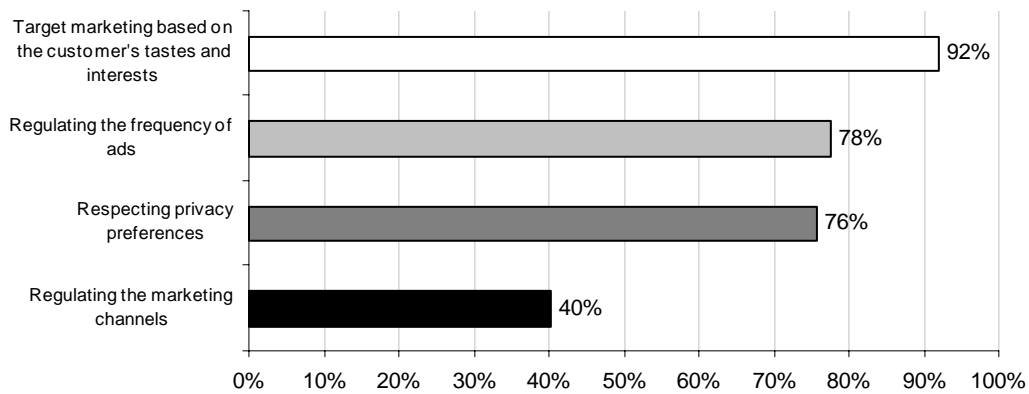
Is having the trust of its customers important to an organization and what practices enhance customers' trust?

Bar Chart 5
How important is it for customers to trust you?

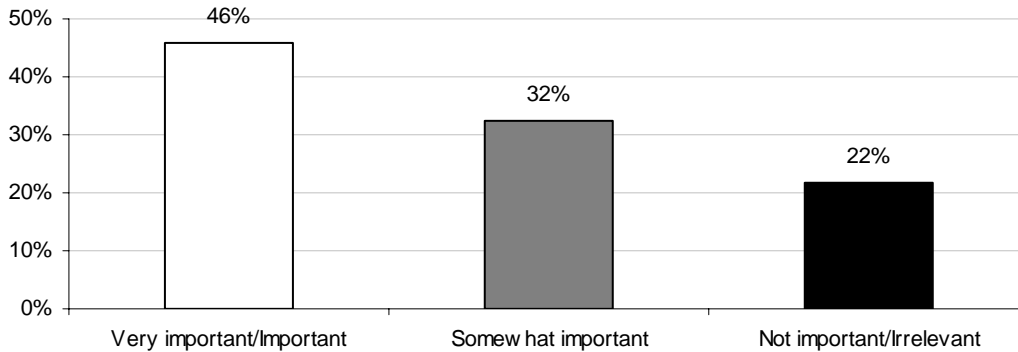


Seventy-three percent of respondents believe that it is very important or important for customers to have trust in their organizations and more than half (57%) believe creating trust can be a competitive advantage. We also asked them to select the practices they believed would enhance trust. As reported in Bar Chart 6, 92% believe that reducing the number of annoying or irrelevant ads will enhance the customer's trust. Over 76% of respondents believe that respecting the privacy preferences of customers enhances their level of trust and confidence.

Bar Chart 6
Which of the following practices create trust with customers?



Bar Chart 7
How important is it for your customers to trust that your organization will protect their personal information from a data security breach?



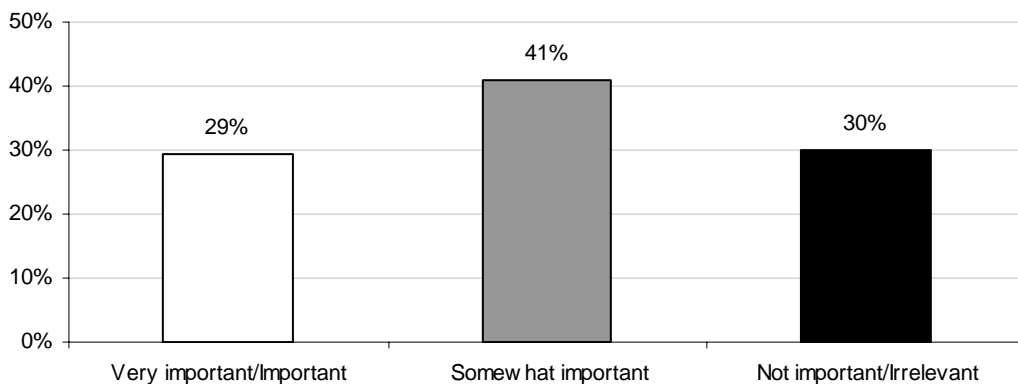
Bar Chart 7 above shows that 46% of respondents view the protection of a customer’s personal information from future security breaches as important or very important to trust. Approximately 32% report that the prevention of security breaches is somewhat important to customer trust and confidence.

Do marketers believe there is a relationship between privacy and an organization’s brand and reputation? Further, would a data security breach diminish this trust?

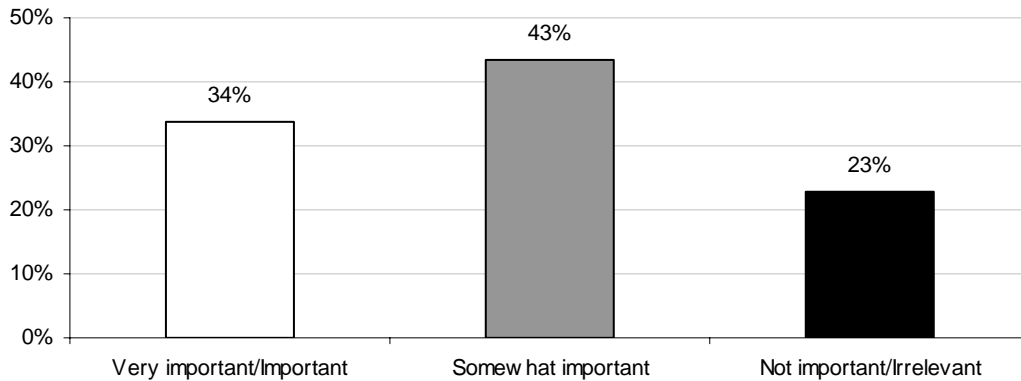
Only 29% of respondents believe that privacy is very important or important to an organization’s brand. The challenge facing privacy practitioners is to convince the 41% of respondents who believe that privacy is only somewhat important to an organization’s brand. Privacy is not important or irrelevant to their organizations’ brand, report almost one-third (30%) of respondents.

The perceived relationship between privacy and reputation is similar. As shown in Bar Chart 8, 34% believe that privacy is important to an organization’s reputation and 43% report that privacy is only somewhat important to reputation. Twenty-three percent believe privacy is not important or irrelevant to reputation.

Bar Chart 8
How important is privacy to your organization’s brand?



Bar Chart 9
How important is privacy to your organization's reputation?



What can privacy practitioners do to change marketers' perceptions that privacy is a barrier to their customer outreach efforts?

Seventy-five percent of respondents want to understand how privacy can add value to their marketing efforts. A majority of respondents want clear guidance on how to comply with privacy laws, regulations and in-house policies. Many marketers want additional training on how to design and implement privacy-compliant campaigns. Over 55% of our respondents state that they would be willing to include information about the company's privacy commitments as part of customer outreach activities. In short, respondents want to collaborate with their organization's privacy office.

Sample

A random sampling frame of 4,659 adult-aged individuals who reside within the United States was used to recruit participants to this Web survey. Our randomly selected sampling frame was selected from three national mailing lists of marketing professionals. In total, 352 respondents completed their survey results during within a 10 day research period. Of returned instruments, 55 survey forms were rejected because of reliability checks. A total of 297 surveys were used as our final sample. This sample represents a 7.4% net response rate. The margin of error on all adjective scale and Yes/No/Unsure responses is $\leq 3\%$.

More than 80% of respondents completed all survey items within nine minutes. Respondents were given the following instruction before starting the survey.

Your participation is completely confidential. No personally identifiable or company identifiable information is requested. All responses will be compiled, analyzed, and distributed at an aggregate level.

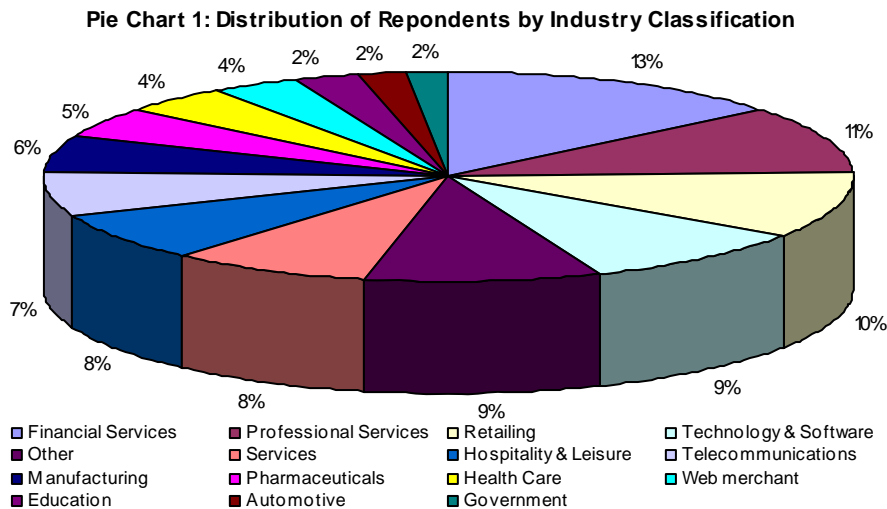
The purpose of this study is to provide important information about how you view your company's privacy and customer protection activities. If you have specific questions or issues regarding this survey, please contact Ponemon Institute at 800.877.3118. Or, send an e-mail to research@ponemon.org.

Following are demographics and organizational characteristics for 297 respondents. Table 1a reports the most frequently cited job titles of respondents (Top 5 list). Table 1b provides the self-reported organizational level of respondents. As can be seen, 69% of respondents are at or above the manager levels within their companies.

Table 1a: Job Titles (Top 5 Titles)	Freq.	Pct%
Marketing Director	67	23%
Marketing Management	59	20%
Chief Marketing Officer	50	17%
CRM Director or Manager	41	14%
Vice President Marketing	23	8%
All other titles	57	19%
Total	297	100%

Table 1b: Organizational levels	Freq.	Pct%
Senior Executive	44	15%
Vice President	23	8%
Director	68	23%
Manager	67	23%
Supervisor	27	9%
Associate/Staff	60	20%
Other	8	3%
Total	297	100%

Pie Chart 1 reports the percentage distribution of respondents by 12 major industry classifications (and "other"). As shown, over 13% of respondents are employed in financial service companies. About 11% of the sample works for service organizations and 10% work in retail.



According to the findings, 41% of respondents are employed by business-to-consumer (B-to-C) firms, 26% are employed by business-to-business (B-to-B) organizations and 33% work for companies that are both B-to-C and B-to-B. On average, respondents have over 11 years of experience in the marketing field, and about four years of experience in their current position.

Table 2a reports the global footprint of organizations that employ respondents. Table 2b provides the approximate headcounts of these companies. As can be seen, 61% of respondents are employed by larger-sized organizations (with more than 25 thousand employees).

Table 2a Corporate locations	Freq.	Total%
United States	281	95%
Canada	188	63%
Europe	156	53%
Asia-Pacific	107	36%
Latin America (including Mexico)	98	33%
Other	5	2%

Table 2b Corporate headcount	Freq.	Pct%
Less than 500	5	2%
500 to 1,000	7	2%
1,001 to 5,000	32	11%
5,001 to 25,000	71	24%
25,001 to 75,000	95	32%
More than 75,000	87	29%
Total	297	100%

Detailed Results

The detailed findings are reported below. The survey question frequencies and percentage frequencies are reported in tabular format. The abbreviation “Pct%” denotes that the tabled percentages sum to the sample total. The column heading “Total%” means that the table percentages sum to the response sample total (which is greater than the sample total if a given question allows more than one response).

Table 3 reports the top five current titles of respondents (approximation only).

Table 3: Your Current Title (Top 5)	Freq.	Pct%
Marketing Director	67	23%
Marketing Management	59	20%
Chief Marketing Officer	50	17%
CRM Director or Manager	41	14%
Vice President Marketing	23	8%
All other titles	57	19%
Total	297	100%

Table 4 reports the organizational levels that best describes the respondents' current position.

Table 4: What organizational level best describes your current position?	Freq.	Pct%
Senior Executive	44	15%
Vice President	23	8%
Director	68	23%
Manager	67	23%
Supervisor	27	9%
Associate/Staff	60	20%
Other	8	3%
Total	297	100%

Table 5 reports the experience levels of respondents (in mean years).

Table 5: Experience levels	Mean	Median
Total years of business experience	10.65	12.3
Total years of marketing experience	8.90	11.9
Total years in current position	3.50	4.5

Table 6 reports that 95% of respondents' companies have a privacy policy.

Table 6: Does your organization have a privacy policy?	Freq.	Pct%
Yes	283	95%
No	14	5%
Total	297	100%

Table 7 reports a filtering question. The remainder of this study utilizes those respondents who state that their organizations have a privacy function or office.

Table 7: Does your organization have a privacy function?	Freq.	Pct%
Yes (Continue)	201	68%
No (Stop)	96	32%
Total	297	100%

Table 8a reports that 72% of respondents review their organization's privacy policy before planning how and when to contact customers.

Table 8a: Do you review your organization's privacy policy before planning how and when you will contact customers?	Freq.	Pct%
Yes	145	72%
No	56	28%
Total	201	100%

For those stating Yes to the question above, 77% report they are aware of their company's privacy commitments and obligations to customers.

Table 8b: If yes, are you aware of your organization's commitment to the privacy of its customers' personal information and how it might affect your marketing initiatives?	Freq.	Pct%
Yes	111	77%
No	4	3%
Unsure	30	21%
Total	145	100%

Approximately one-half (51%) of respondents check with their organization's privacy function to review a marketing campaign.

Table 9: Have you been asked to check with your organization's privacy function to review a marketing campaign?	Freq.	Pct%
Yes	103	51%
No	98	49%
Total	201	100%

Only 44% of respondents have asked the privacy office for assistance when planning or implementing a marketing campaign.

Table 10a: Have you ever asked your organization's privacy office for assistance when planning or implementing a marketing campaign?	Freq.	Pct%
Yes	89	44%
No	112	56%
Total	201	100%

For those stating Yes to the question above, Table 10b lists the activities or services provided by the privacy function.

Table 10b: If yes, what activities did the privacy function provide:	Freq.	Total%
Guidance on privacy laws and regulations	76	85%
Training about your organization's privacy policies	51	57%
Assurance that your marketing campaign is in compliance with privacy laws and regulations	45	51%
Information about how the organization's privacy commitments provide value to the organization's customers	12	13%

Table 11 reports the services the services respondents want their privacy office to provide in order to make the company's marketing campaigns more successful.

Table 11: What services do you believe a privacy office could provide that would be helpful in making your next marketing campaign more successful?	Freq.	Total%
Guidance on privacy laws and regulations	189	94%
Training about your organization's privacy policies	173	86%
Assurance that your marketing campaign is in compliance with privacy laws and regulations	117	58%
Information about how the organization's privacy commitments provide value to the organization's customers	150	75%
No services are required	12	6%
Other	32	16%

As shown in Table 12a, 51% of respondents believe their organization's privacy policy makes it more difficult to market to current and potential customers.

Table 12a: Do you believe your organization's privacy policy makes it more difficult to market to current and potential customers?	Freq.	Pct%
Yes	103	51%
No	52	26%
Unsure	46	23%
Total	201	100%

For respondents saying Yes, Table 12b lists the reasons why privacy diminishes or hinders marketing activities.

Table 12b: If yes, is marketing to customers more difficult because of the following:	Freq.	Total%
Unable to use new personalization technologies to better understand our customers	43	42%
Substantial reduction in the number of prospective customers we can contact	97	94%
Compliance with privacy policy is more costly	72	70%
Increases possibility of customer churn	13	13%
Other	5	5%
None of the above	14	14%

Table 13a reports the importance that respondents attribute to customer trust and confidence.

Table 13a: How important is it for customers to trust your organization?	Freq.	Total%
Very important	75	37%
Important	72	36%
Somewhat important	20	10%
Not important	22	11%
Irrelevant	12	6%
Total	201	100%

Table 13b reports the importance that respondents attribute to customer trust as a competitive advantage for their companies?

Table 13b: Do you believe creating trust with your customers can be a competitive advantage for your company?	Freq.	Total%
Yes	114	57%
No	64	32%
Unsure	23	11%
Total	201	100%

Table 14 lists the activities that respondents believe enhance trust with customers.

Table 14: Which of the following practices do you believe enhance trust with customers?	Freq.	Total%
Respecting the privacy preferences of customers	152	76%
Regulating the number of marketing messages and ads sent to customers	156	78%
Making sure customers only receive ads and marketing messages that are relevant to their interests	185	92%
Regulating the marketing channels	81	40%
Other	14	7%
None of the above creates trust	16	8%

Table 15 reports the importance that respondents attribute to privacy upon the organization's brand?

Table 15: How important is privacy to your organization's brand?	Freq.	Total%
Very important	34	17%
Important	25	12%
Somewhat important	82	41%
Not important	28	14%
Irrelevant	32	16%
Total	201	100%

Table 16 reports the importance that respondents attribute to privacy upon the organization's reputation?

Table 16: How important is privacy to your organization's reputation?	Freq.	Total%
Very Important	36	18%
Important	32	16%
Somewhat important	87	43%
Not important	26	13%
Irrelevant	20	10%
Total	201	100%

Table 17 shows that 55% of respondents would be willing to include information about the organization's commitment to privacy when marketing to current or prospective customers.

Table 17: Would you include information about your organization's commitment to privacy when marketing to current or prospective customers?	Freq.	Total%
Yes	110	55%
No	44	22%
Unsure	47	23%
Total	201	100%

Table 18 reports how respondents view the importance of data security breaches on customer trust?

Table 18: How important is it for your customers to trust that your organization will protect their personal information from a data security breach?	Freq.	Total%
Very important	35	17%
Important	57	28%
Somewhat important	65	32%
Not important	21	10%
Irrelevant	23	11%
Total	201	100%

Caveats

There are inherent limitations to survey research that need to be carefully considered before drawing inferences from findings. The following items are specific limitations that are germane to most Web-based surveys.

- Non-response bias: The current findings are based on a sample of survey returns. We sent surveys to a representative sample of individuals, resulting in a large number of usable returned responses. Despite non-response tests, it is always possible that individuals who did not participate are substantially different in terms of underlying beliefs from those who completed the instrument.
- Sampling-frame bias: The accuracy of contact information and the degree to which the list is representative of individuals who are information security practitioners. Compensation was provided to ensure that respondents completed the survey task in a short holdout period. While compensation was held to a nominal amount, we acknowledge potential bias caused by compensating subjects to complete this research within a holdout period. Finally, because we used a Web-based collection method, it is possible that non-Web responses by mailed survey or telephone call would result in a different pattern of findings.
- Self-reported results: The quality of survey research is based on the integrity of confidential responses received from subjects. While certain checks and balances can be incorporated into the survey process, there is always the possibility that a subject did not provide a truthful response.

Conclusion

Marketing practitioners are not convinced of the importance of privacy and data protection activities to their marketing and customer outreach efforts. Specifically, many marketers need to be convinced that privacy is important to their organization's reputation and brand. They do, however, concur that having customers' trust is a competitive advantage. They also acknowledge that a data security breach could affect customers' trust in the organization.

Marketers also say that the privacy commitments of their organizations create obstacles to their marketing efforts. Despite this belief, many would like to learn more about how privacy could be used as a strategic advantage to benefit their customer relationships. This presents an opportunity for privacy practitioners to not only provide guidance on legal and regulatory issues but also on informing others in the organization on the importance of safeguarding personal information from a data security breach and respecting the privacy preferences of consumers to create trust.

These observations are preliminary and we believe that further research about the importance that privacy plays on corporate marketing efforts. If you have questions or comments about this research report or you would like to obtain additional copies of the document (including permission to quote from or reuse this report), please contact us by letter, phone call or email:

Ponemon Institute, LLC
Attn: Research Department
212 River Street
Post Office Box 601
Elk Rapids, Michigan 49629
1.800.887.3118
research@ponemon.org

Ponemon Institute, LLC

Ponemon Institute is dedicated to independent research and education that advances responsible information and privacy management practices within business and government. Our mission is to conduct high quality, empirical studies on critical issues affecting the management and security of sensitive information about people and organizations.

As a member of the **Council of American Survey Research Organizations (CASRO)**, we uphold strict data confidentiality, privacy and ethical research standards. We do not collect any personally identifiable information from individuals (or company identifiable information in our business research). Furthermore, we have strict quality standards to ensure that subjects are not asked extraneous, irrelevant or improper questions.