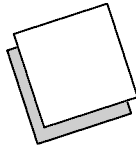


An executive summary for managers and executive readers can be found at the end of this issue



# Privacy and one-to-one marketing: resolving the conflict

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**Abstract** There exists a vibrant literature dealing with one-to-one marketing and mass customization. The practice holds the promise of very satisfied customers, and profitable marketers who can create their own unassailable market positions. One of the building blocks of mass customization is knowledge of the customer and his/her complex set of preferences. There is a significant obstacle to gaining this information, namely the growing trend toward consumer privacy. Traditionally, businesses have collected massive amounts of information, hoping to identify responsive market segments. In the process, they have collected data on numerous individuals who would not realistically become customers. One solution to the problem is a strategic management approach involving an exchange of value between customers and marketers. Using a strategic approach, marketers can target the most attractive consumers, avoiding those whose lifetime value to the firm is low. By employing the relationship management processes of one-to-one marketing, marketers can avoid privacy issues altogether. This paper discusses the conceptual background of information based value exchange, proposes a new orientation toward customer relationship management and discusses several implications for marketers.

## Introduction

In the past, the neighborhood bartender, the corner storeowner and the family doctor had intimate knowledge of their customers' needs, budget constraints and family secrets. All of them involved face-to-face interactions. While they have all but disappeared, such relationships were based on trust, meeting needs providing value and mutual satisfaction. Today's one-to-one marketing and mass customization aim at recapturing the elements of those relationships in the hope of greater profits and more satisfied customers (Peppers and Rogers, 1993). Technology will play a major role. The results should allow marketers to create and maintain strong market positions.

One of the building blocks of mass customization is in-depth knowledge about customers' preferences and characteristics. However, the growing concern about privacy is an obstacle to obtaining such information (Caudill and Murphy, 2000; Franzak *et al.*, 2001; Milne, 2000; Phelps *et al.*, 2000). Consumers are becoming more sensitive to the need to safeguard their privacy. Well-reported incidents such as consumer fraud, identity theft, and the deceptive use of "consumer surveys" as selling techniques have sensitized consumers to discretion and secrecy to protect their privacy. The

Face-to-face interactions



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trend is evident in many areas and is reinforced by continued coverage of both crimes and unethical marketing. Some of the evidence lies in the steady decline in mail and telephone survey participation. Consumers are much more likely to decline invitations to participate in overt, clearly identified data collection than they were a few years ago.

Part of the problem may be the disclosure of the numerous covert means of collecting information about consumers. When non-marketers first hear about one-to-one marketing, some think of the fantasy depicted in the futuristic movie, *Minority Report*. In that scenario, individuals are exposed to advertisements while walking in the street. The ads call them by name and present commercial messages. Clearly, as ideal as some marketers would consider it, that situation is unacceptable. However, many take comfort in the view that it is pure fantasy. It may be fiction but the actual situation is not far from that futuristic view. European owners of certain advanced cell-phones are exposed to advertisements from businesses located close to their location. As a person walks along a street, the messages change, reflecting the changing commercial environment. The ads appear electronically as text or as actual phone calls using names and offering messages about targeted products and services. On a hot day, the messages may feature cold drinks; on gift giving holiday, a selection of gifts.

#### **Powerful promotional tool**

Today, on the Internet, the situation is even more extreme. When a user surfs to a page that contains a banner ad, the advertiser can collect a great deal of information. That information includes the user's IP address, the time, and the version of the Web browser in use. Armed with that information, the advertiser can plant a "cookie" on the user's system to track the specific ads the system accesses. This is a powerful promotional tool since it can build a profile rich in detail. That detail can be used to target ads aimed specifically at the user, more sophisticated than that currently aimed at European cell phone owners.

Rich information helps advertisers achieve greater reach. Despite the fact that they may not know the user's name, advertisers will know the user's computer IP address and can beam unsolicited advertisements directly to them. Whether the system targeted is a family PC used by several people, or an individual's machine, the results will be the same – increased specificity and, therefore, effectiveness. A single ad exposure targeted to a previously known IP address will still be more effective than if beamed more broadly using random IP addresses. Those ads may take the form of pop-up boxes that appear when accessing a Web page and may or may not be related to the Web page's content.

#### **Consumer's right to privacy**

This illustrates the basic conflict between implementing one-to-one marketing and the consumer's right to privacy. In order to design and deliver highly specific want satisfying products and services to individual customers, marketers must collect data. Data collection is an enormous job and marketers seek efficiencies. Automated methods offer such efficiencies. However, collecting data must be done without the risk of angering or frightening the customer. Many consumers feel they have a right to privacy that extends from their thoughts to electronically collected records of their social behavior. Despite, or perhaps because of, the inability of the legal system to provide resolution (Froomkin, 2000; Samuelson, 2000) the result could be customer backlash and refusal to deal with the marketer at all (Phelps *et al.*, 2000).

**Diversity was unappreciated**

Marketers who attempt one-to-one marketing must demonstrate that they value the consumer's information and must provide value in return. They must nurture endearing relationships with customers and offer them long term value. As with many applications of marketing practices, this is easier said than done.

*Privacy issues*

While privacy protection issues have existed throughout history, the specific dangers associated with breaches of privacy have varied. Throughout history, diversity was unappreciated and deviations from accepted norms often carried a social stigma, economic disadvantages and recrimination. Success and survival in society often required an appearance of compliance with the prevailing social and religious beliefs. The legendary "family secret" was a means of protecting the desired status and privacy. As time and technology changed, the nature of the threats to the ability to keep confidential information from becoming more widely known changed as well.

The US constitution reflected the earlier concerns with spiritual and religious freedoms. As communications technology evolved, infringements on privacy changed as well. It was not until the dawn of the computer era, that the ability to store and search through massive amounts of data dramatically shaped these issues anew. For example, insurance processing of health claims required sharing of information about physical and mental illness. The information that may have been considered a "family secret" was now spread beyond the control of the local health care provider to some unknown, distant, bureaucrats.

As a result of insurance industry requirements, trust was no longer the main criterion for divulging private information; it was mandated. Simultaneously, pushing in the opposite direction, the mainframe computer became a means of facilitating information sharing of unprecedented magnitude. For example money and credit matters including debts and credit require information sharing between lending institutions. This evolved further with the emergence of national electronic transactions facilitated by credit cards, resulting in nationwide databanks of consumer financial data. Data was so easy to capture that it was collected extensively and stored.

**Capturing shopper behavior**

The personal computer ushered in increased use of electronic data. This trend meant that the files of healthcare practitioners and local merchants as well as product warranties became available electronically. The move from the early text-based electronic communications to the current level of Web access encouraged sharing of customer data as well as electronic capturing of personal information. Other initiatives like frequent buyer programs exploit capturing shopping behavior by transaction scanners. That data is now available to merchants. The technology also allows prescription drug insurers to know what medicines are prescribed and facilitates monitoring of the consumption rates at which medicines are used.

Sometimes, technology can be deployed for public safety reasons. The legal prescription pain reliever, Oxycodone, has become a sought after drug of abuse. Abusers have burglarized pharmacies to get it. To exercise a measure of control, a very new regulation forces electronic recording and tracking the identity of the person actually picking-up filled prescriptions. Any protection afforded society by this degree of tracking comes with a cost. In many cases, the information is sensitive. For example, a patient's prescription history identifies any diseases or disorders he suffers. That information can adversely affect his job and social relationships.

**Privacy is a valuable concept**

Finally the rapid decline of video equipment prices and increased desire for security lead to video monitor and cameras filming traffic, shopping and other public areas such as parking lots and airports year round. Such activities are often taking place without the consent of or advance warning to the individuals affected.

Few people dispute the need for privacy, but some consumers think that privacy is a valuable concept in general. Many consumers are not aware that privacy issues are important to them personally. The popular press carries stories of the routine collection of private consumer information by businesses. In fact, consumer advocates have publicized the US requirement that consumers have the right to access their own credit information histories that are collected and sold to businesses by several credit bureaus. Actions like this are raising the awareness level of the inroads made regularly into consumers' personal lives.

In the past, reports of invasions of privacy have been covered in the media. One notable incident involved Henry Kissinger who was a member of President Nixon's cabinet. A reporter bribed the clerk at the videotape rental store to supply the rental records detailing each videotape the Kissinger family rented. Clearly there was malicious intent aimed at a public figure. In the view of many consumers, public figures have diminished privacy and do not represent ordinary consumers.

However, other threats to privacy have had an impact on the ordinary consumer. Increasing media reports of identity theft have made consumers more alert and somewhat wary. National television programs have showcased ordinary individuals whose identity has been stolen. The shows detail the entire process of learning someone's date of birth and social security number and using this information to apply for credit cards. In all cases, the victim is unaware that his information has been compromised.

**Capitalized on the growing anxiety**

The result has been a spate of warnings about guarding personal information, credit card receipts and financial information. Marketers have even capitalized on the growing anxiety by promoting the protective benefits of document shredders. The likely impact of such information is to sensitize consumers to concrete protective actions. Paper is visible and consumers can make it the focus of their behavior. There are other issues not quite so obvious. As use of the Internet penetrates more households and as the interconnectivity infrastructure brings broadband access to more users, a new consumer threat has emerged: hacking of individual accounts.

A recent high-profile incident with the popular online auction site, ebay.com, demonstrated the vulnerability of auction sites. One user with long experience and a very positive user rating, had his account hacked. The intruders ran a program to guess his password and enter his account. They then changed the password and posted an auction for an expensive video camera and recorder system. The price was very attractive and 25 units were for sale. Notably, they specified that payment was restricted to international money orders to be sent to a foreign bank account. The account holder learned of the auction when a bidder emailed him a question. Locked out of his account, he sounded the alarm, with ebay.com and anyone who contacted him. Before any action took place, a score of consumers lost their money. Now the media is carrying stories about safeguarding personal PCs and keeping sensitive information off them, lest a hacker break in and steal it.

The result is a sensitization of ordinary consumers to incursions into their privacy. They know more about their rights and the media supplies

## Exploited the technology of the Internet

guidelines about safeguarding information. For some consumers, the concept of privacy has become a shield. The implication for marketers is that it is a growing obstacle to forming relationships with consumers. Privacy becomes the excuse if a consumer has too many requests for information. When asked, some now refuse any communication.

### *Online privacy threats*

Marketers have exploited the technology of the Internet to further their objectives. The “cookies” mentioned above do have some value to consumers. They save some time when a consumer visits a familiar Web site. A cookie, loaded on a user’s PC will speed Web site access, can help the system remember passwords, and can help the consumer recall a complicated Internet address, called a Universal Resource Locator (URL). The most important issue is that consumers have the power to select some or ban all the cookies that might be stored on their system. A setting made within the Windows operating system conveys this power.

There are threats to privacy that consumers cannot control by changing a software setting. Consumers used to take comfort in companies privacy policies. Those policies are written in legal terms and often are difficult for the average person to understand. As a result, when confronted by a company’s online end user agreement, many consumers find them too long and after scrolling down a few times, they just tend to give up. They simply click the “I agree” choice and decide not to bother reading the content. In their own defense, some companies force consumers to do more than press a mouse button. Some require spelling the word, yes. Others require consumers to page through the agreement. Despite these efforts, there is no way to assure that consumers actually read – or understand – these agreements. Consumers really do not know what the terms of the end user agreement are. Given this background, insidious new techniques to invade a consumer’s privacy on the Web have appeared.

One of the proliferating technologies is called “adware.” Adware is software that regularly monitors Internet browsing habits to generate ads based on the person’s interests, or by other tracking software. Usually the adware is mentioned in the terms of service contract that consumers do not read. At least, adware has the good graces to announce its presence. Another form of privacy invasion, “spyware,” does not.

## Monitors online behavior

“Spyware,” or “sneakware,” is software that monitors online behavior or mines a consumer’s data without asking for consent before invading the user’s PC. Spyware conveys that unsavory feeling one might have if his home were burglarized. The thought of someone rummaging through one’s private home is unpleasant. Similarly, the thought of a software program spying on private behavior conveys a similarly unpleasant feeling. There have not been reports of malicious damage caused by spyware yet. However, spyware has the potential for stealing users’ passwords or credit card numbers. That would result in a security and privacy nightmare. Moreover, its secretive nature makes it a target for consumer outrage and eventual legislative action.

Today consumers have unwittingly authorized companies to install software that would help turn their computer into part of a secret network. Recently, the program, Altnet peer-to-peer software, created by Brilliant Digital Entertainment, has been identified as a resource hijacker. The software came with the popular Kazaa file-swapping program. Kazaa clearly provides a 2,644-word “terms of service” contract, which states that Brilliant might tap

**The backlash was significant**

**Freedom from unwanted attention**

the “unused computing power and storage space” of a user’s computer. When it does exploit the user’s system, system response suffers. Most consumers assume that the slowdown in system performance due to Altnet, was simply caused by the file-swapping downloading process. They do not notice a problem.

As a result, numerous people agree to terms-of-service and privacy contracts they haven’t read in order to download software without paying for it. Many are later disturbed to find their computers co-opted by little-known companies to distribute advertisements, monitor online behavior, or help solve someone else’s complicated computing problems.

Terms of service have been a source of continued controversy. The controversy becomes alarming when it involves consumer privacy. When consumers using the Kazaa program learned that they had unwittingly agreed to install software that could help turn their computers into nodes for a peer-to-peer network controlled by another company, the backlash was significant. The consumer outcry was not solely based in the revelation that Kazaa had “sneaked” something by. There was also an element of making a bad deal, of not getting enough value for the use of their systems.

Consumers understand that information about their purchase habits is available and is being used to influence their future purchases. This leads to continued wariness and lack of cooperation. The solution will be to build a relationship with the consumer for mutual benefit.

Privacy means more than holding personal information secret. It connotes a freedom from unwanted attention or intrusion. The universe of threats to privacy ranges from the merely annoying to those which present real harm to consumers. Some intrusions, like spam and adware, tend to spawn annoyance among consumers and really do little harm. Other less obvious intrusions are not readily recognized. However, when threats like spyware become apparent, they tend to create consumer outrage. The emotional response is a reaction to the potential danger of such acts. That anger often leads to refusal to deal with the offending organization. It could also lead to consumer calls for legislation to stop such invasions. For marketers, the risk inherent in such actions can be costly. All forms may present problems to marketers. It is in a company’s interest to avoid any form of action that will alienate consumers. Table I provides a potentially useful breakdown of threats to privacy.

**Customer relationship management**

Customer relationship management (CRM) is a practice based implicitly on mutual value. CRM got its impetus from the realization that attracting customers was important but that retaining customers could be more important. One of the influences on this realization was the demonstration of

Level of privacy	Overt invasion	Covert invasion
Innocuous or annoying	Spam Adware Deceptive “consumer surveys”	Cookies
Potentially dangerous	Worm and virus attacks Terms of service traps	Spyware Identity theft Hacking Data mining

*Table I. A classification of online threats to privacy*

the dramatic increase in profits from small increases in customer retention rates (Reichheld, 1996). Reichheld showed that as little as a 5 per cent increase in retention could increase the net present value delivered by customers by as much as 95 per cent. Much like B-2-B marketers emphasis on “key accounts,” this rekindled management’s realization that not all customers are created equal.

The result is a change in focus to those customers who can deliver long-term profits. In the past, marketers have been trained to acquire customers, any customers. They could be either new buyers, who have not bought the product before, or competitors’ customers. The tools they used were mass advertising and price-oriented promotions targeted to customers and channel members. However, today, the focus has changed from customer acquisition to retention. This is particularly true for the company’s “best” and “most valuable” customers. Customer retention requires a different approach and a different set of tools.

In part, the rationale behind the emphasis on customer acquisition is the practice of market segmentation. For years, customer databases have been analyzed to define customer segments. Statisticians have employed a variety of multivariate methods to find similarities among customers and assign them to segments. Those characteristics were then used to develop differentiated product offerings, to be communicated through mass marketing campaigns. Implicitly, their objective was to identify and target the most profitable prospects and to develop the most effective promotional campaigns for reaching them with persuasive messages.

#### **Delivers tailored messages**

However, such segmentation approaches seem out of date and off target in today’s rich information environment. Despite the targeting efforts, the process of drawing a large number of customers and forming them into groups delivers numbers but does not connect to the real reasons customers buy goods and/or services. The process is not interactive. On the other hand, the Internet has provided a range of marketing tools that can reach customers one at a time and deliver tailored messages designed for small groups of customers seeking similar benefits, which we call one-to-one marketing. The shift is important. Instead of considering the usual market segmentation dimension, like men 18-24 years of age, one can focus on a much smaller, much more internally consistent micro segment, such as men who exercise to improve performance in competitive sporting events that involve endurance. Thus marketers can begin to understand each customer’s needs.

Consequently, marketers may then ponder what each individual can deliver to the company in terms of profits. Finally, they can decide whether it makes more sense to target customers individually or in small clusters.

Freed from the averaging effects of large segments, marketers can use a profitability focus to assess each customer’s value. Employing financial concepts, one can view the long-term financial return available from a single customer, “the lifetime customer value” (LCV). The idea is that each small cluster be analyzed in terms of current and future profitability to the firm (Winer, 2001). The holy grail of such a process is to be able to assign an LCV to each customer. Then a marketer can decide which customers to target. Currently, some marketers with extensive consumer information have ranked their customers in terms of profitability and devote attention to the most valuable subset (Zeithaml *et al.*, 2001).

If data are available, the accounting formula for the past and present profit is straightforward. Calculating future profit would require a set of assumptions

about future purchasing, new product development, and marketing costs, as well as how long the customer can be expected to remain with the firm. The exercise is a refinement over the averaging model and should be expected to yield better data for decision-making. Practically, the LCV formula can be used to highlight additional sources of customer profit. The sources might include increasing the number of products purchased, by cross-selling; increasing the price paid, by up-selling or charging higher prices; reducing product marginal costs; or reducing customer acquisition costs (Winer, 2001).

Other kinds of data analyses are also useful for CRM purposes. Since consumers often buy a group of related products, either together or in sequence, marketers can look toward analysis of the market basket. Once the market basket components are known, complementary products can be displayed on the same virtual page on a Web site. Moreover, they can be included in promotional bundles to make the entire offer more attractive.

### **Clickstream analysis**

Online marketing has even spawned a new kind of investigation called clickstream analysis. As the name suggests, clickstream analysis examines the patterns of mouse “clicks” generated from cyberstore visits and purchases. The objective is to gain a better understanding of the customer and an ability to predict his behavior. The benefits of knowing the customer really well are manifest. However, the major obstacle is gaining enough information to generate an effective analysis.

### **Traditional marketing one-to-one**

Marketing one-to-one, and its variation known as mass customization, is built on really knowing each customer and that customer’s needs, wants and capabilities. The focus is firmly fixed on the individual consumer with the goal of serving a market segment of one. The literature shows many examples of marketing one-to-one in practice and the concept seems to have significant acceptance. Many of the earliest examples were based on simple record keeping in face-to-face encounters. In fact, Peppers and Rogers (1993) cite examples of coffee retailers learning the preferences of their frequent customers. After a number of repeat orders, a face-to-face retailer should be expected to know the preferences of his customers.

### **There is no face-to-face interaction**

The online experience offers some challenges. First, there is no face-to-face interaction. Thus, there is no memory jogging face, voice and perhaps a name to help remember a preferred order. Despite research by Moon (2000) that suggests computers will be treated as social actors, the transference of human properties to machines is not a forgone conclusion. Second, informal memory is insufficient when volumes of faceless customers place orders. Understandably, one-to-one marketers have embraced information technology as a way of coping with the volume of data generated by their customer interactions. This has led to extensive efforts to analyze and make sense of the information collected. Third, the nature of the Internet, which is not completely understood and changes continuously, poses its own set of obstacles to implementing marketing one-to-one. As this practice is applied in different situations, our understanding of the concept has to evolve.

One starting place is the nature of the one-to-one paradigm. The traditional model of one-to-one marketing is built around a three-tiered approach. The first element stressed accumulating as much information as possible to identify and locate customers. To accomplish this, marketers have sought numerous sources of information. Thus, items such as consumer response cards, warranty cards, and frequent surveys are part of the marketing

## Direct response companies

landscape. The second tier requires extensive analysis to identify and understand customer needs. The technology used expands the traditional methods of analysis, mining data for insights where none are readily apparent. Some sophisticated techniques, applied by specialists, have allowed innovative firms to gain a deep understanding of their customers. Capital One is an example of a company that has profited greatly from data mining, discovering positive returns in markets that were traditionally considered too high a risk for credit card offers. The third and final element matches customer needs to company offerings. This matching process is the culmination of enormous amounts of data analysis and marketing decision-making. It represents the highest potential for marketing success.

The one-to-one paradigm represents a small step from the standard techniques of direct marketers. Direct response companies have long accumulated consumer information to allow them to target specific groups with specific offers (Milne, 2000), with an emphasis on lifetime customer value. They called the technique profiling and found that accurate profiles provide the highest response rates. In addition, profiling reduces acquisition costs, increases average orders and yields higher rates of retention. The benefits of profiling are indisputable. They extend to both buyer and seller. When buyers collect and use consumer data, they earn more profits. On the other hand, consumers benefit by receiving targeted offers that more closely match their needs. In addition, direct marketers have that focus on keeping the consumer for life. By collecting data, they are really investing in lifetime value.

Using the traditional paradigm, marketers were able to control each part of the process. Direct marketers still rely on this approach. When successful, they understandably feel a sense of accomplishment and success in establishing a relationship with consumers. These customers would otherwise be lost to them. They would be “out there,” unconnected and unsatisfied.

In fact, the one-to-one paradigm represents just an evolutionary step in marketing. It is a refinement, albeit a significant refinement, on the employment of demographic, psychographic, purchase, and other information to formulate a product offering. In the past, such marketing activity required complete control over the process by marketers. The one-to-one interaction was just that, one customer interacting with one provider. The provider took the role of controller, attracting the customer and using a variety of methods to keep him in the relationship.

## Two-way communication

From one perspective, one-to-one marketing represents a shift from the transaction between the firm and consumer to the enduring relationship between them. The focus is on an ongoing dynamic interaction instead of a moment in time. Relationships carry with them the requirement of two-way communication to keep the interaction on track and growing. Such information sharing must be mutually agreeable and beneficial. Beyond these basic requirements, successful marketing relationships need reciprocity (De Wulf *et al.*, 2001). People will disclose information about themselves, even intimate information, if they view this action as responding in kind to a disclosure from someone else (Moon, 2000). The implications for marketers are significant, as admissions of feelings and expressions of emotions provide depth of understanding to rich information. The question is what can an organization disclose about itself to inspire reciprocity and initiate the relationship? While Moon (2000) argues the computer can be a social actor, far better results might be achieved by building the personality of the brand.

## Instant messaging

Brand concepts can be developed to exude personality, and consumer relationships with brands have been legitimized (Fournier, 1998). The relationship will involve not only products and services, but also the results of mutual information sharing. The end result should be product/service development refinement that leads to increased consumer satisfaction and enhanced producer profit (Addis and Holbrook, 2002).

To begin the relationship, a firm must initiate the encounter in a personal way. Since disclosing private information is not likely to be of consequence, or even illegal, creative approaches are called for. Instant messaging, IM, is emerging as a tool to use for this purpose (Chen, 2003). Although the information disclosed is innocuous, the action of forming a “buddy-list” connection with someone has endearing properties. As the relationship develops, further information sharing will broaden the scope of knowledge to include a “constellation of new products” and services (Solomon, 1990). Simultaneously, as information-sharing experience increases, the parties may demonstrate commitment, and a pattern of honoring promises. Thus, mutual trust will increase and foster an increased openness to information sharing. In face-to-face interactions, the familiar faces of buyers and sellers often personify trust. The key for the company is to continue to emphasize the brand as a living, breathing source of value. In this environment, justifiable concerns about privacy issues will evaporate.

### Online marketing one-to-one

Currently, online one-to-one marketing is rather difficult. In any potential marketing exchange, the online customer is faced not with one choice, but with many. Service companies, which benefit from interactive encounters and customer participation in production, have had an easier time. Recent television commercials for the online mortgage company, *ditech.com*, highlight that unprecedented choice. They show what appears to be the one-on-one interaction of a banker with a couple applying for a mortgage. Traditionally loan application is a time of consumer uneasiness and fear. After all, the bank always had the power to reject a loan application. Whenever it did so, it reinforced its power. In the commercial, the banker, firmly in control, smugly offers his terms and waits while the couple exchanges a glance. They then reject him, with a resounding, “Next.” In the wings are numerous competing bankers, each nervously waiting his turn. The scenario strikes a nerve. Consumers find the juxtaposition of power thrilling and hope for changes in the future. In reality it exists today. Consumers who wish choices can visit the Internet. There they will find an array of competitors striving to present the best “deal.”

## Growth of shopping “robots”

Today, the Internet has shifted the power balance. The way consumers select, evaluate and complete their purchase decisions has changed significantly. Consumers control how, when and where they shop on the Internet. Before the Web, most direct marketing was designed to generate an emotional-based immediate response. On the Web, a Web site may attempt to generate its own emotion. However, if price is important, it may not get a chance to be seen. The growth of shopping “robots” that search the Web for specific products and arrange the results in terms of price makes that choice clinical. IM “bots” that maintain instantaneous dialogue are also growing popular.

There are other problems with accessing Internet behavior. Marketers are restricted to looking at the interface between consumers and Web sites, on minimum data gleaned from voluntary surveys, and from cumulative Web site visits. This methodology does not reflect consumers’ evolving

## Lack of available information

experience with this medium. The Internet is, in one sense, a dynamic learning environment. Consumers surfing the Net in search of their interests, needs and wants, are exposed to an unprecedented variety of information. As they learn more, their preferences evolve, and they evolve at an ever-increasing pace.

### **The need for information integration**

Effective one-to-one marketing requires in depth, connected, information. One of the failings of this approach is the lack of available information. Arguably, the successful companies do collect extensive customer data and convert it into useful information – for them. One problem is that any one company can only collect data it sees or that the customer divulges. As mentioned above, the information comes from a single focused set of encounters.

For example, the Starbuck's-like coffee retailer can collect information about a customer's preferences in size, style, number of cups of coffee he buys. The pattern can be recorded and analyzed. It may even be possible to predict that on Friday morning, the customer will buy two Vente Latte's with extra cream – his usual purchase. The problem is that this divulges nothing about his preferences for travel, investment, or recreation. The situation is like those silos that are said to exist within organizations. In companies, the silos are the functional areas with little communication or integration among them.

### **Integrating the silos**

Within organizations, integrating the information silos has low risk of consumer backlash. If consumers share information with one department voluntarily, they may have little objection if another department uses it. After all, it is the same company. However, if the data is of high quality and is sought by other firms, interorganizational information sharing will become important with the attendant risk of alienating consumers. Startup companies will seek accurate information to establish their consumer relationships. Other organizations will seek complementary data to broaden the profiles of each of their consumers. This pressure raises the question of how companies can share such data without violating trust and damaging their relationships with consumers.

## Information brokers

The answer is that some companies will assume the role of information brokers. Those firms with deep, existing consumer relationships and ongoing information exchanges are in a position to serve as an advocate for consumers and an interface with client firms (Hagel and Rayport, 1997). Like attorneys or real estate agents, they will educate consumers about their rights and the benefits of letting them serve as representatives. They can advise consumers about the value of sharing their information and efforts to protect their privacy outside of the groups of companies contracting for access to that information.

### **Implications for managers**

To enhance profit and value, Web marketers must form longer-term relationships with customers. The idea that emerges from the literature is to offer one-to-one as a relationship building means to solicit in-depth information from the highest value customers (highest LCV). This avoids the spam-like collection of massive amounts of data from large numbers of anonymous prospects. Restricting collection to a few consumers whose

**Relationships are best formed with mutual trust**

relationships with the marketer are tantamount to partnerships, will avoid the stickiest privacy concerns.

By concentrating on the high value consumers, marketers can build relationships that offer value to both parties. Thus, consumers can trade their accurate and valuable information to marketers who will provide valuable benefits in exchange. Since the arrangement is open and consensual, there is no privacy issue.

Relationships are best formed with mutual trust and shared value. The situation must be win-win. The customer must perceive value in forming a relationship with a vendor. Of course, the vendor must find value in his relationship with the customer. Since relationships are difficult to start and maintain, those firms with a network of relationships will discover that they have something of value to other organizations. Consequently, they may decide to exploit the value by securing the consumer's permission to act as an information broker on his behalf. Client firms may find it vital to use the broker as an information source in their product development and consumer relationship management activities.

Since trust is vital in securing consumer cooperation, both brokers and their clients will face the need to establish codes of behavior and firm, detailed rules of engagement for each of their clients. For brokers, protecting their consumers' privacy is important, as well as securing a fair exchange for the information. Thus, privacy concerns versus value will be a consumer choice.

If such brokers operate, their actions may lead to enhanced profitability and consumer satisfaction. For example, information brokers could deliver voice of customer data of high quality to new product development teams, enhancing the success of development efforts. They could offer what might be immensely valuable price sensitivity information to attain optimal pricing.

It is conceivable that such cooperative consumers would be excellent, paid, consumer panelists. Their worth might be verified by examining their post-hoc behavior. Conceivably, the range of their purchase behavior might be monitored, by previous agreement, and provided to anonymous companies. This might allow sets of advertisers to monitor post-exposure purchases without the demand characteristics spawned by an overt approach.

The quality of such marketing information should be significant and valuable. The best part is that invasions of privacy could be completely avoided.

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