

Course Name: Cyber Security and Privacy
Professor Name: Prof Saji K Mathew
Department Name: Department of Management Studies
Institute Name: Indian Institute Of Technology Madras, Chennai
Week: 13
Lecture: 39

So, if we look at how the perception of different industries is from a privacy perspective and this is a survey done by McKinsey in 2019. You see that healthcare and financial services. So where IFA in the financial services sector tend to have a better image of how they handle the data compared to all the other sector. Especially if you look at the consumer package goods and automotive, public sector government. They have as low as 10 percent respondents saying that they have confidence on the retailer which is handling the data. So if, so that is where the trust with the customer becomes even more important.



If a retail company is able to establish that trust with the customer that the data will be handled responsibly that can become a competitive advantage from a strategy perspective for the retail company as well. So some pointers on how ethics can be brought into the decision making from management perspective. GDPR is one set of law which talks in detail about this and places high standards and same is being copied or sort of implemented in different countries as well. So the three pointers that may help us in making decisions on how we handle data in an organization.

would be that the purpose limitation should be there, that the personal data may be processed only for the purpose for which it is collected and the purpose is disclosed to the customer. There is transparency and the customers can be given a say on whether they want to, want their data to be shared with an external partner or not. And the last point is the data minimization that especially in this age of big data, only what is necessary for the requirement, could be for personalizing the marketing programs or offering coupons or discounts. Only relevant data is collected and it is stored in such a way that it can be, also in future if an option is to be given for the customer to delete this data it is possible for the organization to have one place from where it can be deleted. So with these principles we can ensure that from an organization perspective we take a responsible approach to managing customer data and also thereby build trust with them.

Actually we just discussed about this transparency requirement, that is you mentioned about this disclosure but I don't think it is a full and you know, transparent 100% transfer disclosure. It is more of a selective disclosure which is suiting the organization. They you know, they are just carrying out the selective disclosure. And yes, that is a practice that we have seen with a lot of organizations and I think that is what plays into the survey that we just saw. People have low confidence on companies because they are selectively disclosing what they are using it for or how they are using the data and how they are sharing.

If you know, there can be more strictness around it, I think the confidence level will also go up. Any other points or comments? Also in case of purpose limitation, the customers do not have any control over how the data will be processed or where will it be used. So that is also one point to consider. Yeah, absolutely. So right now, probably when we sign up for a loyalty program, we may either assume that it is being used for a specific purpose or we may not fully understand how all the data is being shared.

So if an organization were to disclose that to me, that would increase my trust as a user as well. So that is where this point becomes even more important. The case also refers to Amazon indirectly, did you notice that? In loyalty programs, In the past they had to. It just refers to it as, a company but actually the company that is referred is Amazon, wherein Amazon charges customers differently or their prices are differentiated among customers. For the same product, the price that is offered to you and me can be different.

Amazon.com, the products which, so in our country Amazon is more a marketplace. Who pays more? They actually charge loyal customers more. Loyal customers typically may be paying more than new customers and that is why they were sued in the court. Loyalty program. If you are a loyal customer, perhaps Amazon knows that you are locked in.

You would come back again. So they can actually charge more. Very opportunistic. So you can see that in the, because you are not going to leave.

Ethical Data Protection Principles

- Purpose Limitation**
Personal data may be processed only for the purpose for which it was collected.
- Transparency requirement**
Customers should be able to recognize the purpose for which data is being processed and decide about their personal data.
- Data minimization**
Collect only necessary data as required for processing.

my trust as a user as well. So that is where this point becomes even more important.

00:04:37 / 00:22:31

NPTEL

No. It is at some point in time they did that and they were sued in the court. So what is important, note here is that how companies can be opportunistic in actually making you loyal and then sign in for loyalty program and track you for some time and then see that you always come back. That is an opportunity to charge you more. They have all the data about you. I think Bezos says we do not throw away any data.

That is a classic statement. So the data trade can be very good or profitable for the organizations but it can hurt individuals directly and indirectly. So this case highlights how one can end up paying more premium or one can pay more prices for the same product, if your data is shared. So the customer can be a victim and customer can actually agree for data sharing without knowing the consequences and perhaps that is why GDPR or regulation like this has come where all these agreements or legal, law is protecting the data trade but not the customers. So that is why new law or new regulation is coming in this form and that is very, you have highlighted it very correctly.

So for example limiting the purpose of data. So you collect the data for some purpose, it should be used only for that purpose, not for determining the insurance premiums but for giving me products and services more effectively. I have one more point here. From a strategy point of view. Because in the next class we are going to discuss privacy as a strategy and this case is also moving towards that, from the economics to the strategy.

So for a company like IFA, so ability to offer new product based on analytics can be a differentiation strategy. That is what you see here. But are there any flaws or any challenges the company may face in this new strategy as they go? Or is it a good idea to develop a business strategy based on analytics using customer's data? What could be potential future challenges? Future challenges, one I can think of is new regulations and laws just like GDPR, it affected many marketing agencies. So if there are any new regulations that might come, the companies might face challenges. Some of the challenges like the government, surveillance agencies, authorities and all, they can affect, especially we will be seeing in the next case, actually that Snowden case, you know how that revelation affected the entire industry, not only in USA but in other countries also.

There is also an issue with dependence. This is a strategy based on a certain resource. You must have studied Resource Based View in business strategy as a lesson. So here the strategy is based on a resource. A resource is the data.

But how much control they have on the data? You know valuable, rare and inimitable resources we say. So data is a valuable resource. Data is a rare resource. They are building a strategy.

But data is not there. Is the data always in their control? IFA's control? Data is not their own. Data is bought from somebody else. They are dependent on another entity for data. And in future, if ShopSense finds that IFA is having a very successful business strategy based on their data. You can always charge more.

Dependence. This is called dependence and opportunism in business. Every company can become opportunistic. So opportunism can actually set in here because they are going with a strategy, a new strategy to differentiate, to bring out a differentiated product in the market. So competitors do not have and ShopSense has. That is the case of the VRA, the resource based view of competitive strategy.

But the resource is not in their control. Where an Amazon could actually build strategy based recommender systems based on data and differentiate themselves is because they have the historical data, complete control on a resource which is very rare and valuable and inimitable because somebody else do not have the historical data, they have it. That aspect is also questionable. Tomorrow ShopSense says IFA is not willing to pay enough or there is somebody else in the market who will pay more, they may actually sell the data to that insurance company or to the competitor of IFA. So in terms of sustaining the strategy they are dependent on a third party or a data vendor.

So that makes it a difficult proposition or the future challenges would exist in this case because the resource is not owned by them. They do not possess a resource. They have to actually buy it from outside. Sir, actually financial institutions already have your spend analysis. For example, what kind of products you buy, they have.

So if they develop the insurance products, then they can become more successful than this because they own the resources. Banks giving out insurance products. Yeah, that is true but are you looking at this particular thing? No, I am just telling it generally. Yeah, those who have access to data, as far as this case is concerned. Sir, you actually mentioned about this RBV, Resource Based View and data is a resource and it has got all that vital characteristics but again that is not owned you said.

But again what I actually had to carry, the other view that is KBV, Knowledge Based View versus the RBV. So in knowledge based view also, this data that is not owned but again that is upgraded to knowledge and knowledge is maybe owned by the company. So that can also be a good business model. Yeah, absolutely but in this case if you have to continue this, in your actual knowledge is used from the insights from the other side. But for that the raw material is the data for which the dependence is used.

But the broader question is, in the first slide you highlighted, see it is customer's data that is exchanged and customer is the affected party but customer is not in the scene. So that is an ethical problem. It is my data but two parties are actually selling me, you and me, the two of you are standing there and selling me and making money out of it or creating strategy out of it but I am not involved. That is an ethical problem. And if, so of course GDPR, you are highlighting all that, but if these companies have to address, recognize it as a problem and address the problem, what is a better solution that tomorrow if customers come to know about it and you have, at the time of writing this case the social media is not so prevalent but this can actually become public and it can affect the image of, say ShopSense because ShopSense shared the data.

So what is a method or way in which both the companies can get what they want? ShopSense gets money, IFA brings out new products or build new strategy and customer is also not affected. So can we have some sort of solution where all these are taken into consideration? Let us say, there could be an option given to the customers as in what product or benefits that will come, if they share the data and then they are given an option to opt for that program or not. So if they opt for sharing their data, then both the companies can work out a program such that based on the pattern of purchase, insurance, either they get a lower premium or they get discounts on that. So by highlighting the benefits, they can be given an option to go for it or not. Just to add Sir actually, what you just mentioned actually, in case you compare with that example once you go for the car insurance, annual

insurance you know, the first party insurance is not mandatory, the second party insurance is also not mandatory but the third party insurance is mandatory.

But here in this case, this data it is actually opposite, the third party is actually the affected party and their concerns are not being highlighted. So what you suggested is take the consent of customer again, to opt in for the and draft it as a program. For what? For the product? For the joint product between the retail company and the insurance. So what you are proposing is let not IFA offer the product but let it be a joint product. So where it is clear that both the companies are jointly offering a product, wherein it is fine.

Then it becomes sort of you know, it is a joint product, so you can actually expect that they will share resources or they will, yeah. But then that requires both the companies to agree on this. So that is actually a major decision. So the ShopSense, since it is a loyalty program, as I mentioned they are the loyal customers, it is their responsibility also to make sure that they are avail, they should also inform that there is an IFA insurance company where the data has been shared with and they should give a positive approach also. Even though it is economical, they can give a positive approach that you may be getting better benefits from the insurance company through this data sharing.

And they make sure that ShopSense inform the customers that they are aware that data has been shared. So then you are suggesting, so there are two things here, one is to inform the customers that their data would be shared with an insurance company. But if consent is taken, how many will give consent? Consent in the sense, during the loyalty program. Taking consent is also difficult. People actually do not have time to give consent to all.

It is not working anyway. Yes, from the loyalty program initially they get a consent for collecting the data. But they should be informed that, they should be getting notified whether this data has been shared. Some, out of 100 people, not everyone wishes to opt out. Maybe 10 persons who are not willing to share the data that has been shared with the insurance company may opt out. So they should be notified that there has been a data sharing and whether it is a profit or benefit from the customer side, they will be notified and they should be given an option to opt out if they are not willing to do.

Yes, the challenge with that proposal is companies are already doing it. They have taken consent for data sharing, there is no legal issue. And giving notice is difficult because if notice is made mandatory, we are already seeing that so many notices come and we do not pay attention. Especially from a grocer or any such retail company, notices come, we do not pay attention. So actually the deals must be happening and although we are given notice since we do not pay attention, there is a problem of attention.

This again actually is not effective. Legally right, but ethical issues continue because of these issues. So that is where probably the proposal of a joint product, saying that it is not IFA product, but it is an IFA ShopSense insurance product, is a clear communication. It is one entity as far as this product is concerned. So then you do not question data sharing there. Maybe a better, smarter solution if it works out between them.

So otherwise the issue of ethics continues, legally right, ethically wrong. Okay, any other thoughts?