

MARKETING

## Brands stand to lose big chunk of databases as GDPR goes into effect

May 25, 2018



*The European Union's May 25, 2018 General Data Protection Regulation will empower consumers to seek profiling data that retailers hold on them, thus adding layers of legal paperwork and accompanying costs to comply. Image credit: Fung Global Retail & Technology*

By DANNY PARISI

The European Union's General Data Protection Regulation going into effect May 25 has the potential for retailers and brands to lose significant amounts of customers' data.

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GDPR requires companies to be much more transparent about what data they collect and what they do with it as well as requiring that consumers reiterate affirmative consent to being sent emails and targeted with other data measures. But even if the public's general sentiment finds these uses of data non-intrusive, brands stand to lose a lot simply through customer inaction in providing affirmative consent.

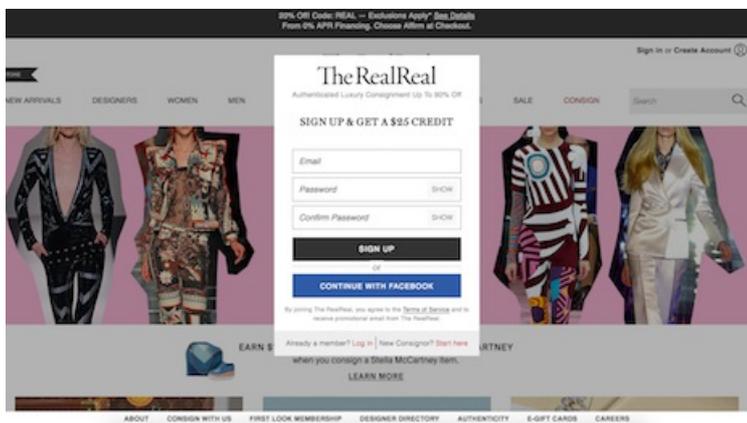
As well as the setback of additional costs, retailers must also be prepared to lose a sizeable proportion of their customer database as subscribers ignore communications to opt in to receiving marketing messages or choose to take the opportunity to opt out in order to declutter their inbox," said Sofie Willmott, a senior retail analyst for [GlobalData](#), London.

"A smaller subscriber base may reduce the scale of communication channels available to retailers, however they will be left with their most loyal and engaged shoppers to communicate with, which will lead to better conversion rates and a clearer indication of good and bad performing content," she said.

### Data protection

The GDPR has caused much stir and discussion among brands and retailers throughout the European Union since it was introduced last year.

Now, the regulation is finally coming into effect, requiring brands and retailers to be much more open with their data practices as well as requiring that customers give their active consent before any such data practices can be used.



*The RealReal asks for opt-in data immediately upon site entrance. Image credit: The RealReal*

Brands will have to send messages to consumers asking them to actively opt-in to continue receiving updates, promotions and targeted marketing.

Experts warn that these brands stand to lose a sizable chunk of their database simply through users not having the time or conviction to go through all of their emails and actively opt in to all of them.

Additionally, even for customers that do see the option to opt in, they may take the opportunity to thin out the amount of messaging and marketing they receive by opting out.

The time and resources required to inform customers on the nuances of GDPR as well as the active participation it requires from them will be a challenge for retailers around the world.

#### Customer action

The regulation serves as the legal framework governing the use of personal data across all E.U. markets and sets a strict, new standard for consumer privacy and data security.

There are severe penalties for going against GDPR rules, including fines of up to 4 percent of global revenue or 20 million euros.

The GDPR has put an increased amount of pressure on retailers, along with a number of other issues that have made the retail world a difficult place to be right now, according to Stuart Simms ([see story](#)).

While inconvenient, the GDPR is important, particularly after Facebook's Cambridge Analytica scandal.

Repercussions surrounding Facebook's invasive use of data have extended far beyond those directly involved, causing luxury marketers to now be more concerned about their use of customer information.



*Mark Zuckerberg spoke about how information is used on Facebook. Image credit: Washington Post*

According to a survey from Kelton Research and SheerID, two to one consumers want brands to request consent before using their personal data. Only 8 percent are comfortable with marketers looking into social channels for individualized information such as likes and activity for promotional purposes, including discounts ([see story](#)).

Multichannel retailers, though generally having a tougher time than their pureplay counterparts and less cash to spare, must invest in making changes to futureproof their companies as this issue will only become more prominent as consumers become more conscious of the use of their personal information and the increasing powers they have to control it," GlobalData's Ms. Wilmott said.

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