

# Minimizing and Managing Cyber Risk With Digital Leadership

In today's e-tailer and retailer commerce industries, an overwhelming amount of data is collected on consumers, buyers and potential customers. Information is collected, stored and archived later for sales, business and product development initiatives. The occurrence of being "hacked" is a common and very real fear for companies in all markets, and consumers are demanding cyber-security as a new business imperative for organisations. From a leadership perspective, protecting digital assets and data must be a primary concern for any organisation. However the question arises of who is responsible for owning and leading data and digital strategy?

A recent study entitled "Consumer Loss Barometer" published by KPMG in 2016 surveyed 750 consumers and 403 senior cyber-security executives within the United States. Nearly 20% of consumers stated they would stop shopping at a retailer if their private information was leaked or hacked, even if the retailer made steps to rectify the issue. The survey also found that 55% of businesses said they had not invested in cyber-security safeguards for consumer data in the past 12 months. A new divide is emerging between customer and organisational expectations when it comes to protecting data. Consumers are concerned their information is vulnerable to exposure, and companies are not prioritizing data security.

Giuseppe Milito, Practice Group Leader of the Consumer & Retail Practice Group of IIC Partners sees this misalignment as an opportunity for leadership teams to be transparent and regain trust from their customer base. "Many retailers are struggling to identify and implement cyber-security best



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practices. Data has become an incredibly valuable currency for any organisation. If information is leaked or exposed, a company's entire customer base inclusive of buying habits, personal information and payment information is available to the highest bidder. If retailers take the initiative to invest in cyber-security and are transparent with customers, it could serve as a key business differentiator," Milito said.

# Collecting and Using Data



Data is collected throughout the entire customer life cycle from visiting a website to providing credit card information. Data collection often begins when an individual signs up or registers for a product or service. Details such as geographic location and type of business are archived and a customer is assigned a “Customer Card”. This “Customer Card” builds a unique profile for an individual’s past buying behavior and helps to predict future purchasing insights. Every transaction made by a customer, whether it is a keyword search, click or even product review is linked to the “Customer Card”. These profiled behaviors help assign a customer to a micro-audience where communications, marketing messages and sales can be tailored and targeted to a very niche group.

Warren Hodder explains how his former company, a large international retailing organisation, utilized this data to better serve customers. “As our customers were defined according to their business type, we were aware of the business needs that they had. We then identified gaps in customer purchases and estimated the demand quantity the business would require. For example, a local fish and chip shop was buying 100kg of fish per week but not buying french fries. After identifying this gap in the purchasing behavior, our sales team would find out from customers why they did not buy the product. The right product was then identified and supplied to match anticipated demand consumption. The successful integration of data into a business model includes a clear focus on securely translating masses of data into meaningful and useful information,” Hodder said. Some organisations have mastered this balance of data collection when it comes to evaluating information and can yield intelligent insights to the overall business strategy.

The digital revolution must be seen as an opportunity that can affect the entire value chain of a business including suppliers. Mirko Petrelli, Partner at Stones International in Hong Kong, has



seen a shift in demand from his clients with organisations now considering the impact of digital beyond sales and marketing activities. “The Chief Digital Officer must have the foresight of how digital can generate profitability and drive productivity across the entire company. Big data delivers accurate and timely information to predict consumer insights, automatic replenishment processes and optimize inventory levels. In addition, blockchain payment technologies can radically change the payment process and create opportunities for efficiency. New innovations continue to disrupt conventional business practices, and digital leaders must be aware of how to best leverage and integrate these emerging technologies,” Petrelli said.

# Ownership of Digital and Data



The ownership of customer data and security varies across organisations at many different levels. In some companies, a Country Manager is responsible for the management of customers, and therefore customer data. System management and security usually falls in the hands of a country CIO or equivalent. Organisations across the globe are acknowledging data as a critical business asset, and are looking for leaders with sharp business acumen who can analyze data and define clear action.

A recent report entitled the “Rise of Digital Leadership” surveyed over 500 senior executives across 43 countries and found that 33% of companies forecasted the need for a Chief Digital Officer in the next 2 years. The study also found that the ideal Chief Digital Officer is equal parts technology leader (45%) and marketer (43%). Bendik Blindheim, Leader of the IIC Partners’ Technology, Digital Media and Telecommunications Practice Group and Partner of ISCO Group in Oslo, Norway, has seen this convergence of responsibilities into one central role. “Many new business lines and opportunities are becoming available via digital channels. Conversion rates, predictive analytics and user engagement are all metrics that measure and monetize a customer’s digital behavior. Organisations are sourcing talent and building internal ‘Digital Teams’ to manage these new revenue streams. These digital teams optimize the entire customer experience at every level through user testing, profiling and data collection to better understand the motivations behind consumer action. These teams must be led by an intuitive leader that can interpret behaviors in a digital setting, translate insights into actionable strategy and drive results across technology and marketing departments,” Blindheim commented.

In the United States, Renee Arrington, Senior Vice President of Pearson Partners International in Dallas, has seen the rise of the Chief Digital Officer role help to bridge the leadership gap between the IT and Marketing departments. “Digital business is the way of the future for many companies. Whether your business is B2B, B2C or connects through IoT (Internet of Things), there



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are important things for the technology “C” leaders to consider. Privacy and security are chief among these along with regulatory compliance for data privacy. Leadership power struggles can erupt over who owns digital between Marketing and IT departments and this can result in a loss for both areas. Digital touches every area of business today, which has led many companies to create a Chief Digital Officer (CDO) role. We have seen this demand from our clients when there is a lack of confidence in the CIO or CTO, one symptom of which is the inability to partner effectively with the CMO,” Arrington said.

Information breaches and exposure of customer data have hit every sector from retail to entertainment, politics, industrial, infrastructure and many others. This has also led to the rise of the “CISO” (Chief Information Security Officer) role and an increased focus on business risk in the Boardroom. The National Association of Corporate Directors (NACD) recently reported that organisational Boards are generally dissatisfied with the amount and quality of information they receive about their company’s information security strategy. This is an opportunity for the CDO, CIO or CISO to elevate his or her profile and ensure their company’s Board and management teams are well informed about the security, privacy and risk mitigation strategies.



As data protection and collection continues to become central to business values and success, digital leaders will become indispensable to any corporation. The right leadership will enable new opportunities gleaned from key data insights and continue to accelerate technology’s role in driving growth, sales, customer engagement and productivity. Leaders that are well rounded understand how to translate technology and data into competitive advantages.



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This White Paper features expert insights from IIC Partners' Consumer & Retail and Technology, Digital Media and Telecommunications Practice Groups. Warren Hodder, CEO of Nguyen Kim Trading, contributed a client perspective.



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