

How Do Big Companies Collect Customer Data?

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January 14, 2019

Big Data



Data has become one of the world's most valuable resources thanks to the rapid [digital transformation](#) of global industries. In today's digital era – the [Fourth Industrial Revolution](#) – customer data is the new oil, giving tremendous economic power to companies that produce and control it, and a pivotal information advantage when it comes to thriving in the global competitive battlefield.

As such, collecting customer data has become a major priority for businesses. As more and more increasingly advanced technology is developed to capture and analyze [customer data](#), the more companies are able to contextualize, draw insights from, and monetize it.

This is why big companies collect, store and process customer data. Because big data is big money – why else?

In the age of constant connectivity, smartphones, wearables, and the [Internet of Things \(IoT\)](#), customer data is being collected right around the clock. Computers can identify

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your voice through a microphone, can recognize your face through a camera eye, can detail your biometrics through a wearable device, can trace your internet browsing history through cookie technology, can pinpoint your exact location through GPS tracking, can record your financial transactions every time you make a purchase. And with all this data, computers can create increasingly accurate profiles of a business's customers, predict how they think, what their preferences are, and, most importantly of all, where they will spend their money. Let's take a look at some of the ways that big companies achieve all this, the techniques they use to capture data, what they do with it, and how small- to mid-sized organizations can use the same techniques to improve their own businesses.

How Customer Data Is Collected

There are essentially three different ways that companies collect data about their customers. By asking them directly for it, indirectly tracking them, and by acquiring it from other companies.

Asking for It

Most firms will be asking customers directly for data at some point – usually early on – in their relationship with them. When someone subscribes to a service, registers with a website or buys something online for the first time, a form usually needs to be filled out. In this form, the company will ask for a name and email address as a minimum, though other demographic and sometimes firmographic data will also be collected. Later, customer surveys may be conducted, again asking people direct questions, which will often be used for customer profiling.

Websites, Cookies and Web Beacons

Big companies are also adept – as they have the technology to be so – at pulling in customer data from a whole plethora of online sources. The most obvious place, of course, is from their own websites, most of which are now equipped with cookies and web beacons. These technologies enable companies to track visitors' browsing histories – even as they exit the company's site and venture off around the web. With cookies, companies know where customers have been, what they've looked at, and where they go after they've finished browsing the company's site. As such, they can retarget customers with ads, which is why when you look at a pair of sneakers on a website you will often find an ad for them following you around the web.

Small- to mid-sized companies can make use retargeting cookies with services like [Google AdWords](#) on the [Google Display Network](#) and the Facebook Pixel. Note here that while Facebook doesn't sell customer data, it nonetheless sells access to data-profiled customers. As such, companies can use the Facebook Pixel on their websites to ensure that when they buy targeted ad space on Facebook, the right ads are put in front

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of the right customers (at a price, of course) – though they can't actually buy the customer data itself from Facebook.

Company Records and Social Media

Companies also dig deep into their own customer service and sales records, looking at transaction histories, and how customers have interacted with sales and support departments (often using sentiment analysis tools). Social media, too, is another important source of data, especially if customers use, say, their Facebook account to log into a third-party application that a company may provide (think Spotify and Uber). But, aside from this, any data a customer publicly shares on social media is accessible to anyone online.

Email Tracking, Apps, and Third-Party Trackers

Email tracking is another method. With this, companies don't just learn that a recipient has opened an email, but also where it was opened and on what device. Over 40% of emails sent around the world are tracked, according to [WIRED](#). Similarly, apps embedded with third-party "trackers" are also a source of customer data. Though some of this data is analyzed to better understand how apps are used, much of it is also utilized for targeted advertising, behavioral analytics and location tracking. More than three in four Android apps contain at least one third-party tracker, according to research from Exodus Privacy and Yale Privacy Lab.

Data Companies

Companies are also purchasing (and selling, for that matter) customer data from (and to) third-parties. There are big data companies, such as [Acxiom](#), that exist for the sole purpose of collecting, analyzing and selling customer and business data for targeted advertising campaigns. Oracle is another company that sells this type of data, and, like Acxiom, acquires much of it from smaller data companies, as well as ecommerce sites, and many other sources including electoral registers and government censuses.

Final Thoughts

Most of the techniques listed above can be used by companies of practically any size to collect customer data. But collection is just the start – in fact, in many regards, it's the easy bit. The real challenge comes in analyzing it all and turning those analyses into actionable insights.

As such, it's important to have a clear action plan for data collection, for it's only high-quality data that can help you make data-driven decisions which will be of benefit to your company. To do this, you will need to define your goals (what is the problem you

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want your customer data to solve?), your operational procedures (who will be collecting the data, why is it being collected, and with what tools?), and how you will validate and analyze the insights gathered.

With customer data, companies can improve [customer experiences](#), refine marketing strategies, conduct hyper-targeted advertising, and even create new revenue streams by selling data (if they collect enough of it) to data companies. There are, of course, data privacy regulations – such as the EU's General Data Protection Regulation (GDPR) and the [California Consumer Privacy Act \(CCPA\)](#) – that must be adhered to by any company that sets about collecting customer data. But, for organizations that want to utilize customer data for business purposes, collection is where it all begins.

1ST PARTY, 2ND PARTY, 3RD PARTY DAT

WHAT DOES IT ALL MEAN?



1ST PARTY DATA

Your Audience Data
Collected Directly From The
Source May Lack Scale



2ND PARTY DATA

Someone Else's 1st Party Data
Sold in a Private Data Marketplace
Purchased Directly from the Source



3RD PARTY DATA

Aggregated From Various
Sources Bought & Sold from
Data Exchange Most Scale

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1.) The contacts (the people who willingly gave their information or bought a product) on Mr. Kazanjian’s website iratemetaldetectors.com is an example of:

- A.) First Party Data
- B.) Second Party Data
- C.) Third Party Data

2.) If Mr. Kazanjian went to another metal detecting website and asked the owner to purchase their contact list, Mr. Kazanjian would be buying:

- A.) First Party Data
- B.) Second Party Data
- C.) Third Party Data

3.) Look at the definition of third-party data below.

What Is Third-Party Data?

Third-party data is data that you buy from outside sources that are not the original collectors of that data. Instead, you buy it from large data aggregators that pull it from various other platforms and websites where it was generated. These aggregators pay publishers and other data owners for their first-party data.

The aggregators then collect it into one large data set and sell it as third-party data. Many different companies sell this kind of data, and it is accessible through many different avenues. [The Lotame Data Exchange](#) is one of the largest third-party data exchanges in the world.

Based on this definition is TikTok an example of Third-Party Data? Why or why not?
