

# Privacy Challenges and Strategies in an Evolving e-Commerce Landscape

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## Introductions



**Lance Lanciault**  
Vice President, U.S. eCommerce Regulatory Compliance, Walmart

Lance is responsible for ensuring that Walmart's people, processes, and procedures are designed to mitigate risk and facilitate trust among all of Walmart's stakeholders. Before joining Walmart, Lance served as Chief Legal Officer and Secretary for StubHub, Inc., overseeing all legal, regulatory and legislative affairs at the leading U.S. online secondary ticketing marketplace.

Lance also held senior legal positions with GE Healthcare and eBay Inc., where he served as eBay's first Global Competition Counsel. Before eBay, Lance defended merger investigations and antitrust lawsuits at the law firm of Arnold & Porter, LLP. Lance served as a law clerk to the Honorable Judge Alexander Harvey II, U.S. District Court for the District of Maryland, and the Honorable Frank X. Altamari, U.S. Court of Appeals for the Second Circuit. He graduated with High Honors from George Washington University where he served as Editor-in-Chief of the Law Review.



**Shakir Banthanavasi**  
Director, Global eCommerce Privacy, Walmart

Shakir is responsible for privacy compliance and direction for Global eCommerce operations across multiple jurisdictions including US, UK, China, Brazil and India.

Prior to joining Walmart, Shakir worked for Security & Privacy Services group of Deloitte & Touche LLP helping large multinational companies develop programs to improve their privacy and information security and comply with federal, state and industry standards. Shakir is a Certified Information Privacy Professional (CIPP) and a Certified Information Systems Security Professional (CISSP).



## **Agenda**

- E-commerce Evolution
- Walmart Global eCommerce Compliance
- Privacy Challenges
- Mitigation Strategies
- Key Takeaways

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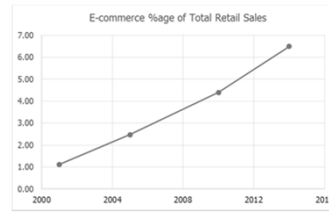
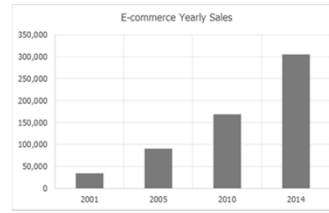
## **E-COMMERCE EVOLUTION**

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## E-commerce Growth

- First e-commerce site was built in 1994<sup>1</sup>
  - Online pizza ordering and delivery made available by PizzaHut
- E-commerce sales continue to show strong growth year over year<sup>2</sup>
  - US e-commerce sales estimated to be \$304.1 billion for 2014, increasing to \$491.5 billion by 2018
- E-commerce's share of overall retail sales continues to increase<sup>2</sup>
- E-commerce's latest chapter is rebuilding relationships and trust<sup>3</sup>

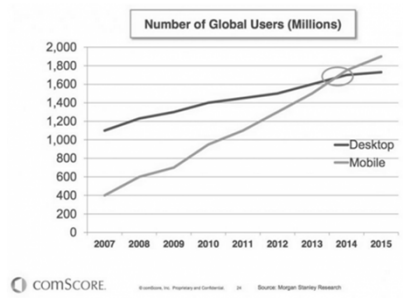


<sup>1</sup> <http://3dproductimaging.com/blog/top-20-most-notable-e-commerce-moments/>  
<sup>2</sup> Monthly & Annual Retail Trade - <http://www.census.gov/retail/>  
<sup>3</sup> <http://venturebeat.com/2015/01/08/if-e-commerce-is-dying-then-why-are-consumers-spending-more-online-than-ever/>

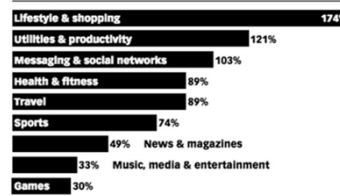


## Growth of Mobile

- The mobile market continues to grow
  - 125 million US consumers own smartphones<sup>1</sup>
  - 50 million US consumers own tablets<sup>1</sup>
  - Mobile apps usage for shopping has grown significantly from the previous year<sup>2</sup>
  - Mobile purchases made via smartphones and tablets have increased by nearly 50 percent year over year<sup>2</sup>
  - Brick-and-mortar retailers are expanding into online sales and adjusting their in-store strategies accordingly<sup>2</sup>



Usage Growth Rate for Select Mobile App Categories Worldwide, 2014  
% change vs. prior year



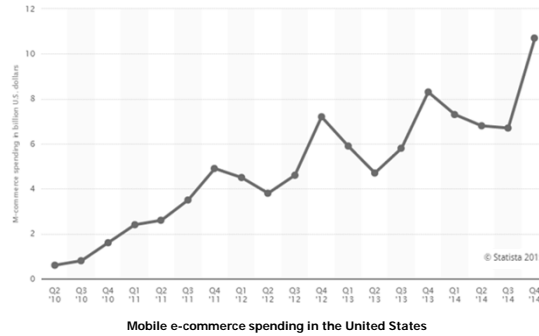
Note: represents activity on Flurry's platform, broader industry metrics may vary; based on growth of usage sessions, defined as a user launching and using an app  
 Source: Flurry Analytics as cited in company blog, Jan 6, 2015  
 183871 www.eMarketer.com

<sup>1</sup> MOBILE ECOMMERCE STATS IN 2015 AND THE FUTURE - <http://www.outerboxdesign.com/web-design-articles/mobile-ecommerce-statistics>  
<sup>2</sup> 2015 Benchmark Reporting Series - eCommerce Growth, RJMetrics



## Growth of Mobile

- The mobile market continues to grow..
  - 80% of shoppers used a mobile phone inside of a physical store to either look up product reviews, compare prices or find alternative store locations<sup>1</sup>
  - 98.9 million online buyers who have purchased at least once via a mobile device<sup>2</sup>
  - Global e-commerce sales made via mobile device is expected to grow to US\$638 billion by 2018<sup>2</sup>
  - Mobile ecommerce will account for 30% of global ecommerce sales by 2018



<sup>1</sup> MOBILE ECOMMERCE STATS IN 2015 AND THE FUTURE – <http://www.outerboxdesign.com/web-design/articles/mobile-ecommerce-statistics>  
<sup>2</sup> <https://seiz.com/blog/40-online-shopping-ecommerce-statistics-know/>



## Challenges in Mobile Growth

**80%** abandon a mobile app or website if its buggy

**THREE SECOND RULE**  
**46%** will shop elsewhere if app or website fails to load in 3 secs

**37%** Smartphone & Tablet Owners  
**52%** Millennials  
 WILL DO MORE HOLIDAY SHOPPING VIA THEIR DEVICES THAN IN STORES

mobile shoppers age 18 to 34  
**76%** Use smartphones & tablets to search for and/or buy gifts  
**UP 10%**

**IN-STORE SMARTPHONE AND TABLET USE**  
**26%** make purchases via devices  
**53%** compare prices  
**47%** read product reviews  
**51%** download coupons

**44%** air their frustrations on social media


Source: Report: 2014 Mobile Holiday Shopping, Dynatrace



### Changing Customer Expectations

More...	Faster...	Easier...
Sharing economy	Instant gratification	Mobile first

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## WALMART GLOBAL ECOMMERCE COMPLIANCE

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## Walmart Global eCommerce Compliance Overview

- Led by Senior Vice President who is responsible for the Compliance & Ethics programs in the Global e-commerce and Leverage areas
- Responsible for e-commerce operations in US, Brazil & China
- Walmart's compliance program includes key subject matters including:
  - Anti-Corruption
  - **Food Safety**
  - Licenses & Permits
  - Antitrust
  - Health & Safety
  - **Privacy**
  - **Consumer Protection**
  - Health & Wellness
  - **Product Safety**
  - Environment
  - Trade
  - **Responsible Sourcing**
  - Financial Services
  - Labor & Employment
- Unique to eCommerce – Marketplace

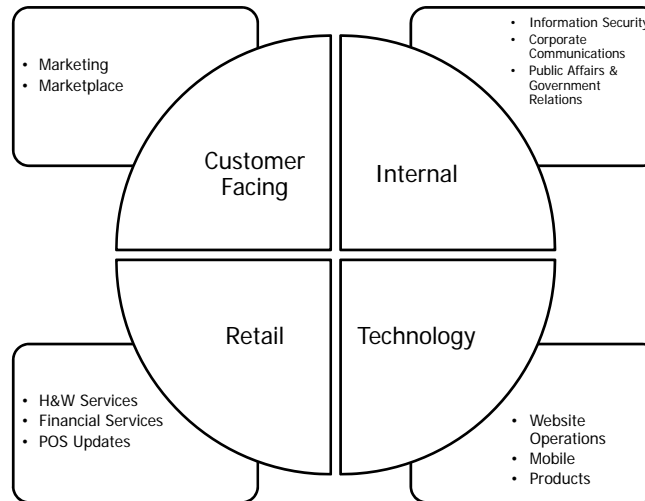


## PRIVACY CHALLENGES



## Groups Supported

- We support and interact with multiple groups in our eCommerce environment



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## Scope of Privacy across the environment

- Personal information definition
  - Commonly used terms also include Personal Data (EU), Personally Identifiable Information (US)
  - Government Accountability Office:
    - *"...any information about an individual maintained by an agency, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information"*

GAO Report to Congressional Requesters, Alternatives Exist for Enhancing Protection of Personally Identifiable Information, May 2008
  - Walmart definition
    - *"...information that identifies you or reasonably can be linked to information that identifies you."*
- Importance of a consistent definition
  - What are we most concerned about
  - Understanding impact across the business
- Privacy Office conundrum
  - Compliance vs Posture ("Can do" vs "Should do")

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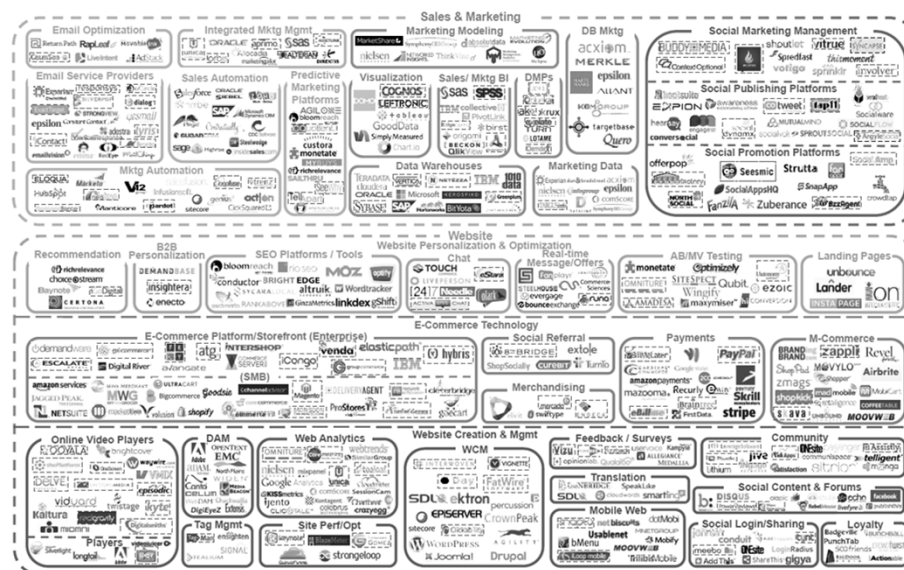
## Marketing

- No longer a single channel for online marketing
- Email
  - CAN-SPAM\* compliance
    - Commercial emails vs Relationship and transactional emails
    - Requirements include unsubscribe options and request compliance & easily understandable content such as an accurate subject, an accurate physical address
  - Targeted emails based on purchase and behavioral triggers
- SEM/SEO
  - Use of search terms to direct customers to site or directly purchase
- Display Targeting & Retargeting
  - Also based on purchase and behavioral triggers
  - Targeting/Retargeting = Tracking?

\* Controlling the Assault of Non-Solicited Pornography And Marketing Act of 2003



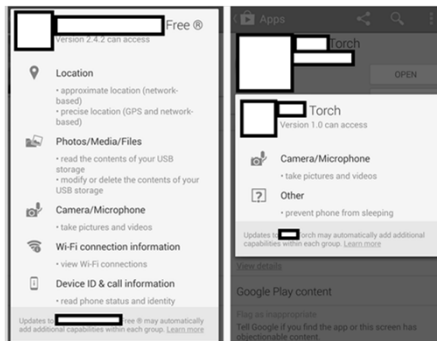
## Marketing Technology LUMAScape





## Mobile

- Apps
  - More than a million apps available for download (on two different platforms – Google Play & Apple's App Store)
  - An app for “anything” or “everything”
  - Most e-commerce companies have an app to interact with their customers
  - Data collection is one of key areas of focus for regulators
  - Typically apps request permission to access to the following:
    - Geolocation
    - Contacts
    - Storage
    - Call history

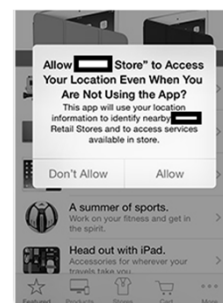


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## Mobile

- WiFi Tracking
  - Mobile phones typically use their “unique” MAC address to search for an available WiFi network to connect to
    - MAC addresses are fixed and constant for any given device
    - MAC addresses are device identifiers, not personal identifiers
    - Without additional data, the capacity to associate device ID with identified individual is limited
    - *Could personal information could be gathered through device owner's use of device?*
- Geolocation
  - Mobile phones use phone's geolocation to show location based searches (i.e., restaurants in the area, maps functionality)
  - e-commerce apps use location for valid reason (e.g., shipping costs, in-store product availability)
  - Active vs Background location tracking
  - Historical location is also stored
    - Could an app be used to “identify behavior”?



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## Breach Response

- The term “data breach” has become part of the broader public vernacular
  - In 2014, *The New York Times* devoted more than 700 articles related to data breaches
- Many high-profile organizations have met with the inevitability of “the breach”
  - “Cyber” is now front and center at the boardroom level
- Verizon's 2015 Data Breach Investigations Report identified the following:
  - Estimated loss of \$400 million from 700 million compromised records
  - Brick & Mortar breaches have a significant impact on e-commerce companies
    - Increased fraudulent transactions for e-commerce companies from breaches due to Point-of-sale & payment card skimmers (physical card present transactions to card absent transactions)

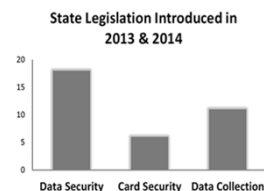


Source: Verizon 2015 Data Breach Investigations Report



## Legislative Updates

- Old laws being applied to newer technologies
  - 1991: Telephone Consumer Protection Act (TCPA)
  - 1996: Health Insurance Portability & Accountability Act (HIPAA)
  - 1998: Children's Online Privacy Protection Act (COPPA)
  - 2003: CAN-SPAM, SB 1386 (California's first breach law)
  - 2004: California Online Privacy Protection Act (CalOPPA)
- Updates to most laws and newer ones are being written at both State & Federal levels
  - Updated/new laws regarding targeting of certain restricted products to minors
  - With recent proliferation of high profile data breaches, proposed changes to data breach laws include cost shifting of card reissuance costs to retailers, long-term credit and identity theft protection, imposition of specific security standards, additional data elements that trigger breach notifications
  - New laws around cyber security information sharing
  - International laws also have an impact on US e-commerce operations
  - Use of geo-location

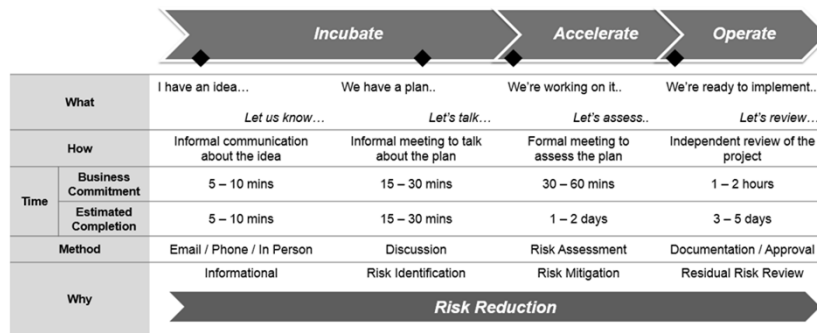


# MITIGATION STRATEGIES



## Privacy By Design

- Incorporate privacy across all stages of a “project”
- Our Risk management cadence for the business



- Top level vs Ground up integration of Privacy requirements



## Security Risk Review Process

- Information Security led review process for new products/services/programs
- We perform security review before
  - Any 3rd party application is installed in our environment
  - Any contracts or purchases are made for 3rd party software
  - A "Proof of Concept" is initiated
- SLAs associated with each stage
  - Holds the review team accountable to provide recommendations or approval
- Privacy is an approver in the process whenever there is customer or associate personal information involved

*"While security without privacy is possible, privacy without security is impossible."*

Kathleen Carroll, Security Industry Association's Government Relations Committee

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## Training & Awareness Efforts

- First line of defense are our fellow associates
- Training & Awareness efforts are a high priority for the Compliance team
  - FY13, FY14 & FY15 strategic goal for the Privacy Office
- Layered approach to training & awareness
  - Walmart's approach
    - New hire orientation
    - Annual privacy training for all associates
    - IAPP training for key business partners across the business
    - "Boot camp" for onboarding Global eCommerce technology
  - Keys points for consideration
    - "Fatigue", "Overkill"
    - Applicability
    - Incentivize participation in trainings (i.e., "free pass" to other trainings)

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## Periodic Review of E-commerce Operations

- Proactive efforts need to be supported by Reactive efforts
- Audit key areas of e-commerce operations periodically
  - Annual privacy risk assessment across e-commerce operations
  - Periodic “health” checks for e-commerce sites
  - Marketing email checks
    - Opt in and opt out options
    - New account set up
    - Email content
- Independent review by other “internal” teams
  - Internal Audit
  - “Continuous Improvement Team”
- Annual review of privacy policy for applicability

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## Privacy Guidelines for Business Operations

- Published policies and procedures for key areas
  - “Template” language for privacy related questions from customers
  - Guidelines for business operations including customer service, and marketing
  - Compliance requirements for areas such as text message and auto dialed call programs
- Dedicated pages around privacy & security (public facing & internal)

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## Strategic Business Partnerships

- In spite of established controls, can only be “as effective” as our business partners want us to be
- Privacy awareness is relatively high
  - Associates want to do the right thing for the customers
- Key partnerships across the business
  - Allows an informal “heads up” to most programs

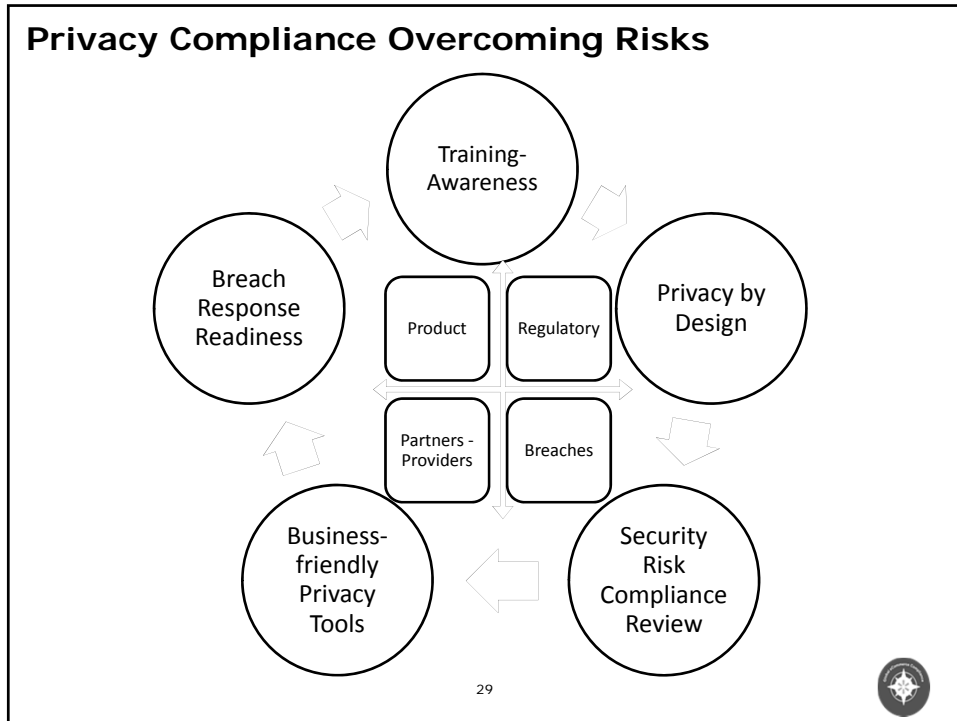
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## KEY TAKEAWAYS

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### Challenge Your Compliance team

- Be an enabler and not the road block
- Find the way to say yes within acceptable risk factors
- Be agile
- Get involved early