HARVARD | BUSINESS | SCHOOL

9-521-058
REV: MAY 3, 2021

EVA ASCARZA
AYELET ISRAELI

Amazon Shopper Panel: Paying Customers for Their Data

On October 20, 2020, Amazon quietly announced that it would roll out a new program wherein it would pay customers for their shopping data, calling it the Amazon Shopper Panel. As part of the program, participating Amazon customers would send in their itemized receipts, from non-Amazon suppliers (Whole Foods and other Amazon brands would not qualify) to receive a credit from the company in return, all through an app on their phone (see **Exhibit 1**). The Amazon Shopper Panel was an invitation-only, opt-in program available for customers in the United States that would allow them to earn either a $10 Amazon credit or the option to make a $10 charitable donation through Amazon from a list of pre-selected charities. In order to receive a reward a customer must submit ten eligible receipts in a month and they would also have the opportunity to answer surveys about their purchases which could grant them additional rewards. The motivation for launching such a program, Amazon revealed, was to better support sellers and brands while also providing insights from beyond the Amazon store.

The new program immediately got media attention, especially in light of the company's recent controversy on whether it collects proprietary data from their sellers to foster anticompetitive business practices (see **Exhibit 2**). As the TechCrunch article that first announced the program stated:[1]

> The program's launch follows increased scrutiny over Amazon's anti-competitive business practices in the U.S. and abroad when it comes to using consumers' purchase data. Amazon came under fire from U.S. regulators over how it had leveraged third-party merchants' sales data to benefit its own private label business. When Amazon CEO Jeff Bezos testified before Congress in July, he said the company had a policy against doing this, but couldn't confirm that policy hadn't been violated. The retailer may also be facing antitrust charges over the practice in the EU.

This sentiment was shared among several other outlets, including Gizmodo, who was rather explicit about Amazon's (believed) intentions with the program:[2]

> After spending years promising Congress that the data it collected from third-party sellers wasn't used to beef up its private-label products, today Amazon decided to roll out a product [to] achieve a similar end from a different angle. The Amazon Shopper Panel, as it's called, promises to pay Amazon customers that offer intel to the ecommerce giant

Professors Eva Ascarza and Ayelet Israeli prepared this case. This case was developed from published sources. Funding for the development of this case was provided by Harvard Business School and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

> about where they shop when they're not shopping on Amazon dot com. While Amazon still doesn't collect non-public seller data, this new program is designed to get that information anyway—this time from you, the customer.
>
> … Because Amazon doesn't have access to the same purchase-by-purchase data from the myriad brick-and-mortar "sellers" that Amazon competes with offline, paying people for their receipts from these sellers ensures Amazon will have a steady stream of data from its IRL competitors. Whenever we feel comfortable walking back into movie theaters, our AMC receipts can be used to fuel new exclusives on Amazon Prime. Our receipts from our occasional grocery runs can be used to tell Whole Foods which products it should ramp up or abandon.

Some consumers were wary about sharing their information, one consumer commented on the TechCrunch article:[3] "Hey consumers, just know that when you snap that photo of your receipt you are sending Amazon the lat/long coordinates of your phone and also consenting your device ID for tracking and targeting ads. Hope you are OK with that..." to which another responded: "For the money? That's fine with me. I've been doing the same with Google Opinion Rewards for a while now." Researchers that estimated the value of consumers' data found that an email address is worth $89 for a brand, while the data generated from an adult on the web was valued at $35 per month. After a data breach, Comcast paid each customer whose private data was compromised $100.[4]

Not all of the media reports were negative; some reports indicated a positive reception to the announcement. For starters, customers would be rewarded for their effort. Soon after launching the program, Amazon created a waitlist for customers (who had not been originally invited) to join the Panel. Interested customers could download the app, join the waitlist, and when new space become available, they would receive an email from Amazon with their official invitation to join. Moreover, participation on the Amazon Shopper panel was voluntary. Not only did customers choose whether to accept Amazon's invitation to join the panel, they also chose what they want and don't want to share. The Panel would also allow customers to omit aspects of their receipts and remove uploaded receipts at any time. The company also stated that it would delete any sensitive information, such as prescription information from drug store receipts.

To further emphasize their commitment to customer privacy, the Amazon Shopper Panel 'Privacy' site stated that "[W]e will never share any personal information collected via the Amazon Shopper Panel with third parties." Rather, Amazon said that the collected data would be used to help advertisers better understand the relationship between their ads and purchases at an aggregate level—a goal that was very much aligned with the company's increasing investments in its advertising business. In Q1 2020, Amazon's advertising business grew by 44% year over year, a much greater rate than Google (13%) and Facebook (17%).[5] By the end of 2020 Amazon was the number 3 publisher in the US, reaching 10% of digital advetising, behind Google's 29%, and Facebook's 25%.[6] The company also said that the data collected from these receipts would help Amazon "better support sellers and brands by also providing insights from beyond our store" (see **Exhibits 3 and 4** for excerpts from the Amazon website).

The data revolution

Companies have always collected data about customers. Catalog and coupon companies had been collecting data long before Jeff Bezos was born, personalizing offerings to each customer based on their historical purchases. Since the late 1990s (with the mainstream adoption of the internet) firms' ability to collect, process, and leverage customer data skyrocketed. Thanks to the wide availability of data,

firms became more sophisticated in their use of predictive analytics. In 2012 Target, the US-based department store, made it to the headlines for (correctly) predicting that one its customers was pregnant based on her past purchases. In 2009 Netflix, the content platform, launched a competition whereby they shared millions of customers' ratings among anyone who could help them predict what shows individual customers would enjoy. Similarly, Amazon enhanced the user experience in their retail website, showing shoppers products that they would most likely be interested in, based on each user's past searches and purchases.

By 2020, the large majority of firms, Amazon included, not only collected customers purchases and interactions with the focal company—as was historically the case—but also tracked their online behavior, their location, their social media contacts, or even their conversations. One of the most common forms of collecting data was via cookies, which were simple text files stored in the user's device by the web browser. Cookies were created in the mid 90's to help early e-commerce sites have insights into the customer experience—a gap in knowledge that was leaving them at a disadvantage to the brick and mortar stores where most customers purchased at that time. Within the course of three decades, cookies became ubiquitous and grew their use cases, from allowing the focal website to know if the customer had logged in (via "authentication cookies") to allow cross-site tracking via "third-party" cookies. Unlike first-party cookies — which are created and controlled by the web domain the user visits, and cannot be read by other sites — third-party cookies allowed a technology solution that was originated in one domain to collect data from many other sites (note, however, that this data was limited to browsing behavior). This characteristic made cross-site tracking, retargeting, and advertising measurement possible. A variety of companies that collected (either primary or secondary) data on consumers, also traded it with other companies.

While in the old days, customers' zip codes and locations were used for segmenting and targeting, the rise of smartphones and wearables intensified the specificity of location-based data and enhanced the use of user location by companies (see **Exhibit 5** for information about how companies collect those data). For example, companies used geolocation to increase sales—e.g., a beverage brand can target consumers in real-time when they visit a venue that stocks their products, or they can also promote their healthy drink after they visit a gym—to encourage customers to switch brands—e.g., a bank could target customers who regularly visit a branch of the competitor bank with a better offer—or to increase personalization in advertising by segmenting the ad audience based on location data.

Privacy and the regulatory environment

Without doubt, the availability of customer data made it easier for marketers to enhance the user experience and to display more relevant advertisements to more relevant audiences. However, as data availability has risen, so have consumers' concerns. There was a total lack of transparency about the ways in which some companies were using third-party cookies, with the vast majority of consumers not even realizing that their behavior was tracked across websites. A 2019 survey conducted among US-based consumers found that 65% of them did not know which brands were using their data.[7] Privacy concerns rose further amid articles uncovering how different branches of government would use consumers location data collected by regular commercial apps. In June 2020, the Wall Street Journal reported the IRS effort to use (anonymized) cellphone movement data collected by third-parties to identify individuals.[8] Later that year it was discovered that the US Military had allegedly bought location data from ordinary apps, including a Muslim prayer app with over 98 million downloads.[9] While all these location data were, in principle, anonymized, recovering the identity of individuals was often straightforward using, for instance, their location at night to disclose individuals' home address, or their regular daily location to match with their workplace.

As with many technology advancements, current laws and regulations lagged behind on data privacy issues. Governments around the world started trying to add transparency and to give consumers control over what information would be shared online. Responding to the increasing concern about the use of third-party cookies, Europe's General Data Protection Regulation (GDPR) determined that users must actively consent to all cookies when visiting a website; otherwise, the website could not track, or use, any of the user's cookie data. Similar policies followed also in the USA, with the California's CCPA data privacy law and Maine's Internet privacy protection bill among the most restrictive in the nation. In August 2019 Google announced that it will phase out the third-party cookies on Chrome browsers,[10] leaving marketers a few years to adjust to such a change. In June 2020, Apple announced a move that will reduce advertisers ability to track consumers across apps and websites.[11] In March 2021 Google clarified their plans and shared a plan by which they will stop selling ads based on individuals' browsing across multiple websites. Instead, they will use technologies to target ads based on aggregated groups of users with similar interests. While Google and Apple took measures to limit user tracking, Facebook argued that individualized ad targeting which will be limited given these new measures is especially benefitial for small businesses.[12]

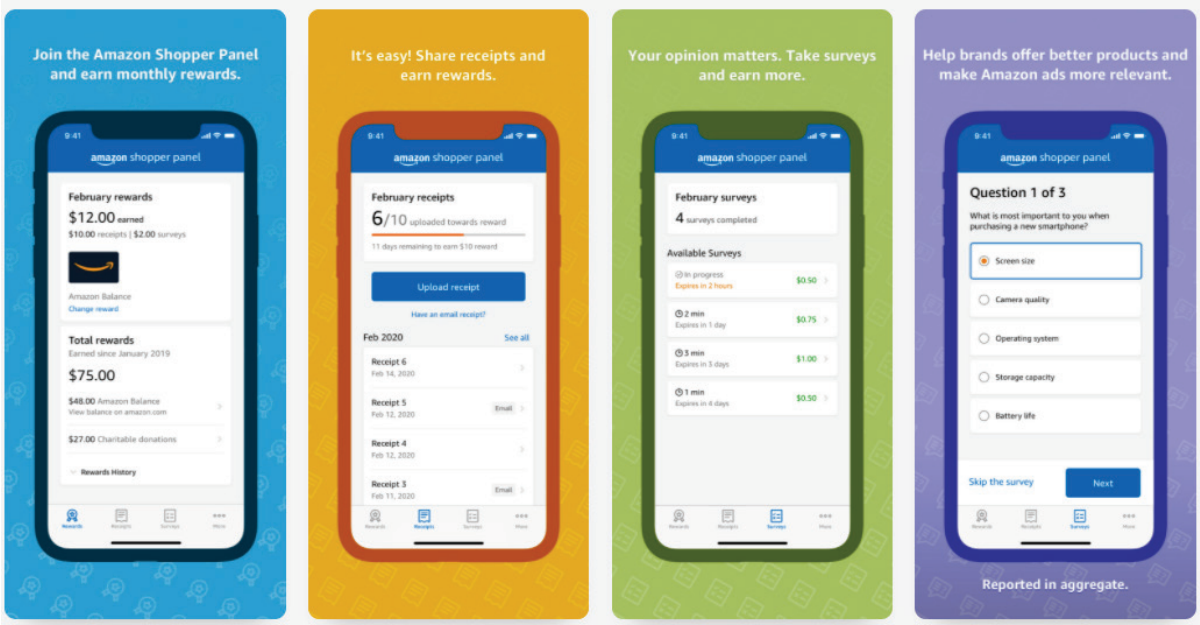
The future of customers' data

This inevitable move towards "first-party" data meant that marketers had to reimagine their approach to market research, digital advertising measurement, and overall customer experience. As Gary Hawkins, founder and CEO of the Center for Advancing Retail & Technology, noted:[13]

> There's something to this idea that a retailer can vacuum up all sorts of data, not only on their own customers, but on people in their market areas that are not customers, and intelligently go after them. I think Amazon is sort of early going down that path, but it's no big surprise… Amazon can ratchet that up or down as they see the need to, but I think it begins to open the door to this notion about paying the shopper for use of their data. And I think we're going to see more of that, especially as we see more states roll out privacy laws like California has done. And I know of some startups that are working in this space, creating a capability for a consumer to control their data and only release it to companies that they want to, or that they want to do business with.

Does the Amazon Shopper Panel represent an opportunity or a threat to consumers' control of their privacy and data? Should consumers line up and add themselves to the waitlist or sit this one out? What is the larger impact this could have on the market, given Amazon's huge presence?

Exhibit 1 Amazon Shopper Panel



Source: Amazon.com (2020), https://panel.amazon.com/, accessed December 2020.

Exhibit 2 Excerpt from a Wall Street Journal article (April 23, 2020)

Amazon Scooped Up Data From Its Own Sellers to Launch Competing Products

By Dana Mattioli

Amazon.com Inc. employees have used data about independent sellers on the company's platform to develop competing products, a practice at odds with the company's stated policies.

The online retailing giant has long asserted, including to Congress, that when it makes and sells its own products, it doesn't use information it collects from the site's individual third-party sellers—data those sellers view as proprietary.

Yet interviews with more than 20 former employees of Amazon's private-label business and documents reviewed by The Wall Street Journal reveal that employees did just that. Such information can help Amazon decide how to price an item, which features to copy or whether to enter a product segment based on its earning potential, according to people familiar with the practice, including a current employee and some former employees who participated in it. […]

Source: Mattioli, Dana (2020), "Amazon Scooped Up Data From Its Own Sellers to Launch Competing Products," *The Wall Street Journal*, April 23, 2020, https://www.wsj.com/articles/amazon-scooped-up-data-from-its-own-sellers-to-launch-competing-products-11587650015, accessed December 2020.

Exhibit 3 Excerpt from Amazon Advertising site's Blog (October 20, 2020)

What is the Amazon Shopper Panel and how does it work?

[…] Customers routinely use Amazon to discover and learn about products before purchasing them elsewhere. In fact, Amazon only represents 4% of US retail sales. Brands therefore often look to third-party consumer panel and business intelligence firms like Nielsen and NPD, and many segment-specific data providers, for additional information. Such opt-in consumer panels are well-established and used by many companies to gather consumer feedback and shopping insights. These firms aggregate shopping behaviors across stores to report data like average sales price, total units sold, and revenue on tens of thousands of the most popular products.

This has inspired us to explore how we could better support sellers and brands by also providing insights from beyond our store. The Amazon Shopper Panel is the result. Over time, the new Amazon Shopper Panel can help advertisers understand how their ads support their sales at other retailers – and through panel surveys, help them improve their products and grow their businesses. It also provides immediate rewards to participants who choose to join the panel, and will benefit all of our customers in the form of better shopping, product, and advertising experiences.

Source: Amazon.com (2020), "What is the Amazon Shopper Panel and how does it work?" *amazon.advertising.com*, October 20, 2020, https://advertising.amazon.com/en-us/blog/consumers-shop-omnichannel/?ascsubtag=d83c91fe18ceb1f787b605d03225b73ea846bec0&ref_=a20m_us_blglbr&tag=gizmodoamzn-20, accessed December 2020.

Exhibit 4 Amazon Shopper Panel website's 'Privacy' tab

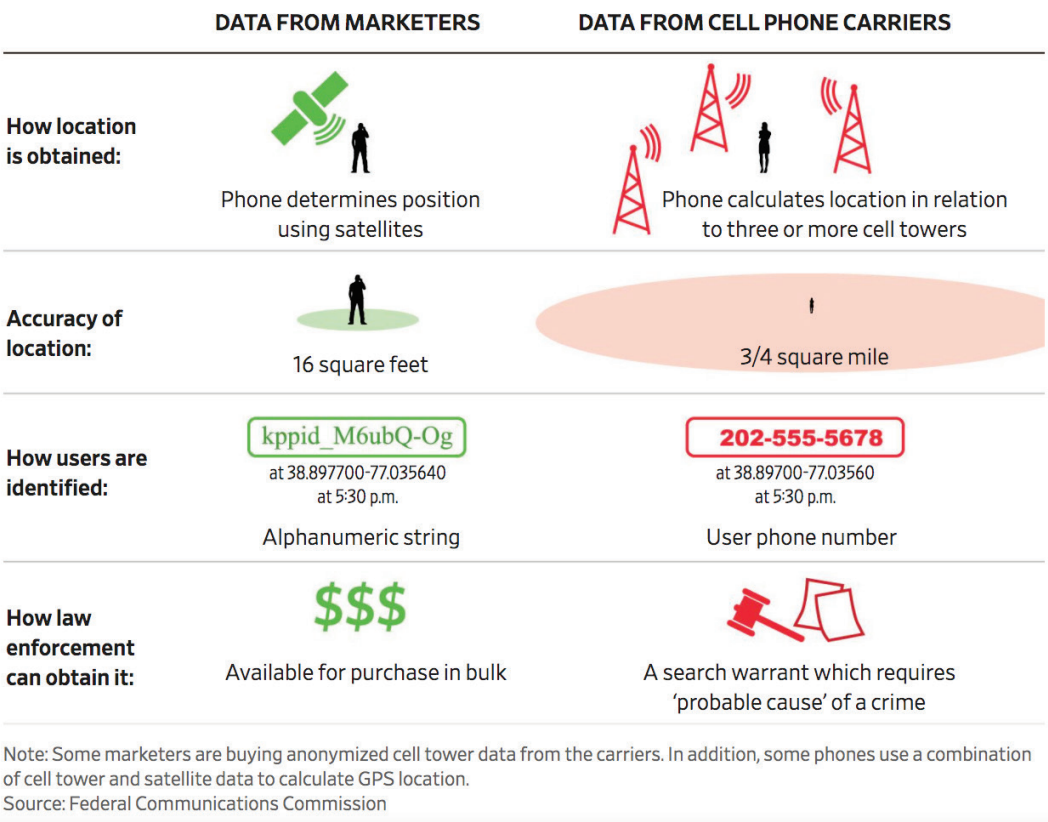
For what purposes does Amazon use my personal information?

We will use any information you share with us through the program to help brands offer better products and make ads more relevant on Amazon and otherwise in accordance with Amazon's Privacy Notice. These purposes may include:

- Advertising measurement. We may use your purchase information to measure the effectiveness of advertising campaigns to help advertisers understand the relationship between ads and product purchases at an aggregate level. We will never share any personal information collected via the Amazon Shopper Panel with third parties.
- Inform models used for advertising. We may use the information you provide to help us build models about which groups of customers are likely to be interested in certain products.
- Research. We may use survey responses to help brands get feedback on new or existing products and help advertisers understand how customers respond to ads. We will never share any of your individual survey responses with third parties.
- Product and content selection. We may use your purchase information and survey responses to improve the product selection on Amazon.com and affiliate stores such as Whole Foods Market and to improve the content offered through Amazon services such as Prime Video.

Source: Amazon.com (2020), https://panel.amazon.com/, accessed December 2020.

Exhibit 5 Location Data Collection



Note: Some marketers are buying anonymized cell tower data from the carriers. In addition, some phones use a combination of cell tower and satellite data to calculate GPS location.
Source: Federal Communications Commission

Source: Tau, Byron (2020), "IRS Used Cellphone Location Data to Try to Find Suspects," *The Wall Street Journal*, June 19, 2020, https://www.wsj.com/articles/irs-used-cellphone-location-data-to-try-to-find-suspects-11592587815, accessed December 2020.

Endnotes

[1] Perez, Sarah (2020), "Amazon launches a program to pay consumers for their data on non-Amazon purchases,' *TechCrunch,* October 20, 2020, https://techcrunch.com/2020/10/20/amazon-launches-a-program-to-pay-consumers-for-their-data-on-non-amazon-purchases/, accessed December 2020.

[2] Wodinsky, Shoshana (2020), "Amazon Isn't Even Hiding Its Intentions Anymore," *Gizmodo,* October 21, 2020, https://gizmodo.com/amazon-isnt-even-hiding-its-intentions-anymore-1845442072, accessed December 2020.

[3] Perez, Sarah (2020), "Amazon launches a program to pay consumers for their data on non-Amazon purchases,' *TechCrunch,* October 20, 2020, https://techcrunch.com/2020/10/20/amazon-launches-a-program-to-pay-consumers-for-their-data-on-non-amazon-purchases/, accessed December 2020.

[4] Pawtocol (2020), "How Much is User Data Worth?," *Pawtocol*, March 16, 2020, https://medium.com/@pawtocol/how-much-is-user-data-worth-f2b1b0432136, accessed December 2020.

[5] Joseph, Seb (2020), "Amazon's ad business grows 44% during the first quarter," *Digiday*, May 1, 2020, https://digiday.com/media/amazons-ad-business-grows-44-during-coronavirus-quarter/, accessed December 2020.

[6] eMarketer (2021), "Amazon's share of the US digital ad market surpassed 10% in 2020," *eMarketer.com*, April 11, 2021, https://www.emarketer.com/content/amazon-s-share-of-us-digital-ad-market-surpassed-10-2020, accessed April 2021.

[7] Help Net Security (2019), "Most consumers still don't know how brands are using their data," Help Net Security, July 22, 2019, https://www.helpnetsecurity.com/2019/07/22/brands-using-consumer-data/, accessed December 2020.

[8] Tau, Byron (2020), "IRS Used Cellphone Location Data to Try to Find Suspects," *The Walt Street Journal*, June 19, 2020, https://www.wsj.com/articles/irs-used-cellphone-location-data-to-try-to-find-suspects-11592587815, accessed December 2020.

[9] de Leon, Giuliano J. (2020), "U.S. Military Allegedly Buying Location Data From Ordinary Apps, Including a Muslim Prayer App," *Tech Times,* November 17, 2020, https://www.techtimes.com/articles/254235/20201117/military-allegedly-buying-location-data-ordinary-apps-including-muslim-prayer.htm, accessed December 2020.

[10] Schuh, Justin (2019), "Building a more private web," *Google The Keyword,* August 22, 2019, https://www.blog.google/products/chrome/building-a-more-private-web/, accessed December 2020.

[11] Koetsier, John (2020), "Apple Just Crippled IDFA, Sending An $80 Billion Industry Into Upheaval," *Forbes.com*, June 24, 2020, https://www.forbes.com/sites/johnkoetsier/2020/06/24/apple-just-made-idfa-opt-in-sending-an-80-billion-industry-into-upheaval/?sh=65ea7589712c, accessed January 2021.

[12] Schechner, Sam and Keach Hagey (2021), "Google to Stop Selling Ads Based on Your Specific Web Browsing," *The Walt Street Journal*, March 4, 2021, https://www.wsj.com/articles/google-to-stop-selling-ads-based-on-your-specific-web-browsing-11614780021, accessed March 2021.

[13] Springer, Jon (2020), "Could a New Amazon App Weaponize Receipts," *Winsight Grocery Business,* October 28, 2020, https://www.winsightgrocerybusiness.com/retailers/could-new-amazon-app-weaponize-receipts, accessed December 2020.