

A matter of trust

Building consumer confidence in data sharing and new technology



Executive summary

The global pandemic has accelerated the flight to digital, and consumers are sharing more of their personal data with brands than ever. But this does not mean they are happy about the data practices of these companies.

We surveyed 6,000 consumers in 15 countries to investigate how they feel about their digital interactions with brands, including sharing their data. The research finds that consumer trust in brand data practices is limited and that this distrust extends to new technologies. Brands need to earn and sustain consumers' trust, and the key to doing that is transparency.

This report delves into the research to find out how consumers of different nationalities and different ages feel about sharing personal data with companies, as well as about how those companies should gather and use it. The report also probes consumer attitudes toward the use of advanced technologies such as artificial intelligence (AI) to create personalized experiences. The findings highlight areas of risk and opportunity for brands as they seek to deliver better customer experiences (CX).

Findings

Brands must rethink their approach to third-party data.

Consumers disapprove of brands' use of third-party data, even when the result is more personalized experiences: 64% of respondents, including most of those in the youngest cohort (age 18–24), do not want brands to engage in this practice.

Trust in brands' data use is limited.

Less than half of respondents (48%) are comfortable sharing personal data with brands, although they outnumber those who are not comfortable with it (25%). They are also wary about the use of AI, facial recognition and speech recognition: No more than 46% are comfortable with these technologies (27% are uncomfortable).

Even open sharers of data need reassurance about how brands use it.

We identified three distinct groups of respondents based on how comfortable they are with sharing data. "Free Spirits" share data more liberally than others and are more accepting of brands' data practices; "Cynics" are the polar opposite; and the largest group – "Need More Convincing" – share some attributes of both. But even the Free Spirits dislike the use of third-party data and, like the rest, demand transparency from brands.

Personalized CX must rest on integrity and transparency.

Respondents are broadly accepting of the risk-benefit trade-offs of personalization. More are positive about receiving personalized ads and product offers than are negative (42% compared with 27%). But many (31%) are undecided, and nearly 9 in 10 of the overall sample (87%) have concerns about how their personal data is gathered or used to create personalized experiences.

Restoring trust is difficult, but not impossible.

For brands to regain their trust after a negative data experience (such as a breach or misuse), consumers demand commitment and transparency, including a promise not to share personal data externally in the future, acknowledgment of the breach and an explanation of the steps being taken to improve data practices.

The trust test

Consumers have been sharing personal data with brands for at least two decades – when they browse the internet, make purchases online and use mobile apps. Today, though, the process is more sophisticated. Technologies such as AI and facial recognition can gather personal data without any prompts from the consumer.

While many brands probably assume consumers are blasé about data collection, our research shows otherwise. Although survey respondents who are comfortable sharing personal data with organizations outnumber those who are not (48% compared with 25%), more than a quarter (26%) are undecided. Respondents in the 18–24 and 25–34 age groups are considerably more relaxed about sharing personal data than those in the older groups. There are also geographical differences: Respondents in the Americas are more at ease about the practice than those in Europe and Asia Pacific (see Figure 1).

They may have concerns, but the vast majority of respondents continue to share their data with brands.

"Consumers are naturally concerned with how their data is used," says Colson Hillier, Chief Marketing Officer at Alorica, a provider of customer experience software and services. "This by itself doesn't stop them from sharing data with brands. The user experiences we're adopting, which are changing the way we communicate, shop and entertain ourselves, all depend on it."

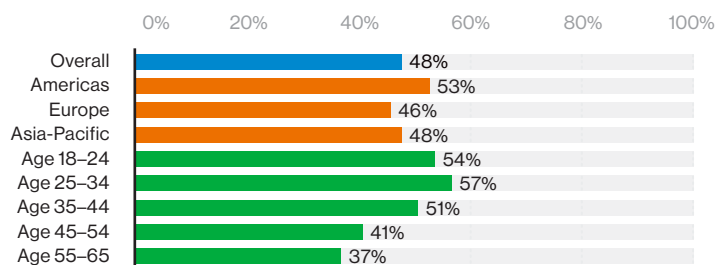


Figure 1. Consumer comfort with sharing data. Share of respondents who say they are somewhat or extremely comfortable sharing their personal data with companies and other organizations

Asked why they continue to share, 24% of those who express discomfort or ambivalence feel they have no choice. Another 22% simply value the benefits of the personalized service or offers that come from sharing data. Some (17%) have little time to shop for brands with strong data practices, and 21% are optimists who believe that the brands they use will eventually meet accepted standards of data use.

According to Jerri Traflet, Managing Partner, Global Solutions at Verizon, consumers in countries where privacy laws have been strengthened in recent years—such as within Europe, for example, where the General Data Protection Regulation now applies—may feel more protected against misuse than before. “The main reason they share, however, despite misgivings, is either brand loyalty or convenience,” she says.

New technologies, new data use

AI and other fast-maturing technologies such as facial and speech recognition are voracious consumers and generators of data. AI, in particular, depends on enormous volumes of data, including personally identifiable information (PII). This is one reason why some consumer associations, non-governmental organizations and policymakers urge companies to be cautious in their use of such technologies.

Some consumers are also wary. Their comfort levels with new technologies are broadly similar to the way they feel about sharing their data. Respondents who are relaxed about taking part in interactions or events that use AI, facial recognition or speech recognition outnumber those who are nervous, but a large proportion are undecided (see Figure 2). Altogether, less than half of all respondents (46%) express comfort with such technologies.

That’s why organizations need to work on building trust in emerging technologies. And that starts with creating a good experience.

“Trust in a new technology such as an AI-powered bot or avatar is created first and foremost by ensuring that the consumer has a positive experience with it,” says Gordon Little, Managing Director of Verizon’s Global CX Practice. “If someone gets frustrated with one bad experience, they will mistrust it and stop using it.”

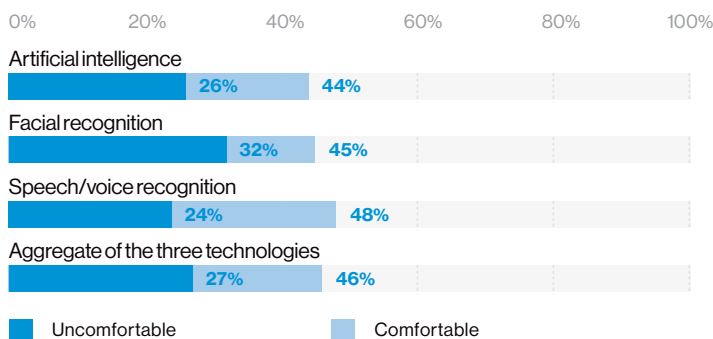


Figure 2. Consumer comfort with brand use of new technologies. Share of respondents who say they are somewhat or extremely comfortable or uncomfortable taking part in an interaction or event in which the cited technology is involved

Free Spirits, Cynics and the rest

Using the survey responses, we have identified three distinct groups of consumers according to their comfort levels with and propensity for sharing data. We call these groups “Free Spirits,” “Cynics” and those who “Need More Convincing.”¹

As highlighted, Free Spirits’ approach to data sharing is, true to their label, decidedly more liberal than the rest. And that of the Cynics is decidedly more cautious.

- Few Free Spirits have qualms about sharing different types of personal data with brands, including income and medical history, while few Cynics will part with any type of data
- Free Spirits are much more welcoming of personalization than the other groups; the vast majority of Cynics recoil from it
- Free Spirits are also more forgiving of data breaches, though they are more likely to suffer material damage as a result. These incidents appear to have little impact on Free Spirits’ willingness to continue sharing their data.
- However, even these enthusiastic data-sharers want brands to be transparent about how they use personal data.

Perhaps unsurprisingly, respondents in the 18–24 and 25–34 age groups account for almost half (49%) of the Free Spirits, while the two older age groups, 45–54 and 55–65, are overrepresented among the Cynics (64%). All ages are amply represented in the Need More Convincing group.

Brands and marketers have their own data-based ways of categorizing consumers, but our analysis suggests that they face three key trust-building tasks:

- Keep the Free Spirits onside, because even they will become skeptical if their data is repeatedly or egregiously compromised
- Consolidate the loyalty of the Need More Convincing consumers. They may not become Free Spirits, but their trust in the brand could solidify if the brand keeps its data commitments
- Avoid turning the Need More Convincing into Cynics. It may not take much to lose the trust of the former

We also identified three groups based on their comfort levels in using AI, facial recognition and speech recognition as they interact with brands.² Each group’s attitudes toward sharing personal data closely mirror those of the Free Spirits, Cynics and Need More Convincing groups. In this report, we only refer to the groups we have already defined.

A future for third-party data?

Technology companies, including Apple and Google, are starting to restrict the third-party collection of consumer data from their websites. Some observers believe this portends a narrowing of the scope of such data collection by brands.³

Our survey findings support that shift. Almost two-thirds of respondents (64%) say that they do not want the brands they interact with to obtain data about them from third parties (see Figure 3). That unease is shared by all age groups—57% of 18–24-year-olds object—including the Free Spirits (66%).

For Gordon Littley, this does not mean that third-party data is going to go away. But, he says, “Companies will need to become much more transparent about how they collect and use this data.”

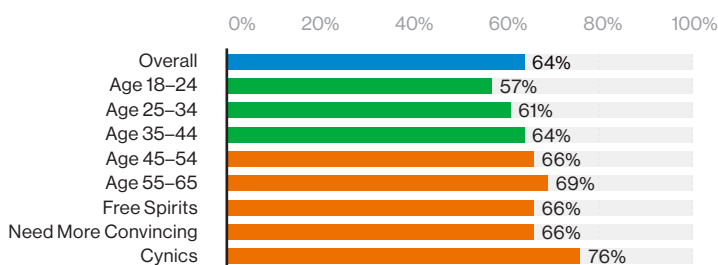


Figure 3. Consumer resistance to brand use of third-party data. Share of respondents who somewhat or strongly agree with the following statement: “I do not want companies I interact with to obtain data about me from external (third-party) sources”

Utilizing data culled from multiple sources is useful for brands, but trust can be damaged when consumers realize that they are receiving messaging based on third-party data. For example, upon receiving a personalized offer from a brand, consumers might recall providing the relevant data to another party. Some consumers are likely to view this as invasive, which could affect their perception of the brand.

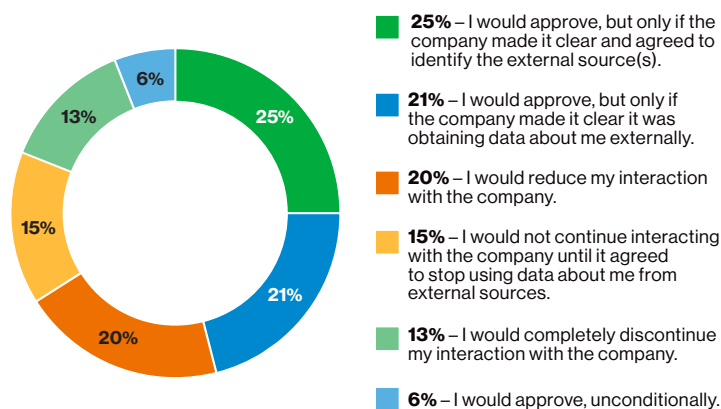


Figure 4. Consumer attitudes toward the use of third-party data. Share of respondents describing how they would react upon learning that a company had obtained data about them from external sources for the purpose of creating a more personalized customer experience for them

Most respondents (52%) said they would continue dealing with a brand even after learning that it had obtained data without their consent—as long as the brand acknowledges what it is doing. The proviso is transparency. A quarter (25%) would also insist on knowing the identity of the third-party source. And 15% have a more stringent condition for continuing the relationship with the brand: a promise to cease the practice altogether.

However, not even this level of transparency would be enough for a significant proportion of consumers. One third of respondents would either reduce or discontinue their interaction with a brand after it had obtained third-party data without their consent.

Limits to personalization

Disquiet over the use of third-party data may explain respondents’ wariness about personalization, which combines multiple data sources to create bespoke experiences. Respondents are mostly positive about the risk-benefit trade-offs of personalization—42% are positive about receiving personalized ads and product offers compared with 27% who are negative—but 31% are undecided.

Time to bust data-use stereotypes?

There are some pervasive stereotypes about how people in different countries and regions feel about sharing their data. Those living in Asia, for example, are often assumed to be more open to it, while Europeans (citizens and policymakers) are thought to be more cautious. Our survey results, however, suggest that while some stereotypes broadly hold true, others are on shaky ground:

- Consumers in South Korea, Japan and Singapore are more lukewarm about sharing their data than those in supposedly cautious European countries, such as the UK and France. Respondents in India and Brazil are the most comfortable and those in Germany are least comfortable (see Figure 5)
- Consumers in Asia, led by India (78%), Japan (70%), Singapore (69%) and South Korea (64%), are more likely than those in the U.S. and Europe to wish they had paid more attention in the past to how companies use their data
- Those in India and Brazil are more positive about the use of AI and other new technologies in their interactions with brands than consumers elsewhere
- Respondents in several European countries—led again by Germany—are much more cautious, which supports the popular stereotype (see Figure 6)

The lesson for brands is an obvious one: Never make broad-brush cultural assumptions about a country’s consumers

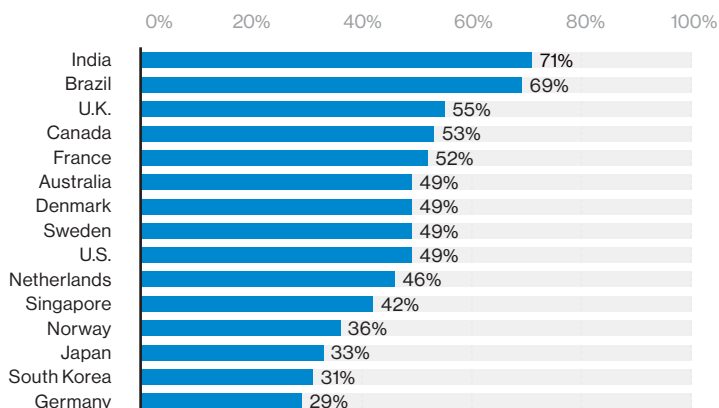


Figure 5. Consumer comfort with data sharing, country by country. Share of country respondents who say they are somewhat or extremely comfortable sharing their personal data with companies or other organizations

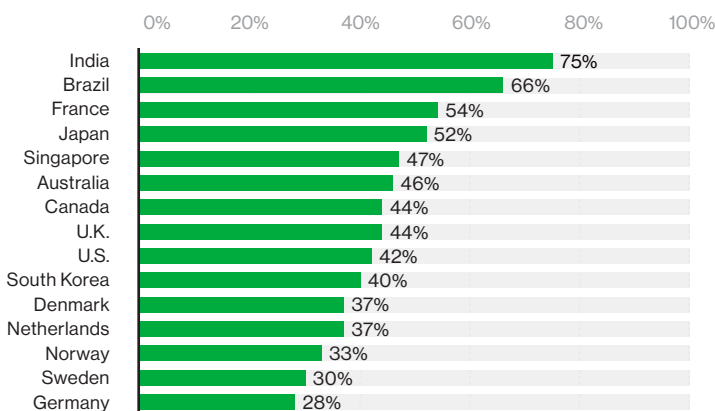


Figure 6. Consumer comfort with brand use of new technologies, country by country. Share of country respondents who say they are somewhat or extremely comfortable taking part in an interaction or event in which AI, facial recognition and/or speech recognition technology are involved

“Consumers are accepting of personalization when they see it delivered within the context of the information they’ve given the company,” says Alorica’s Colson Hillier. “They’re much less comfortable when it’s delivered with information obtained outside of that context.”

Even those who welcome personalization are apprehensive about how their personal data is gathered. All in all, 87% of the overall sample voice some concerns about it. The Free Spirits, unlike the rest, are predominantly relaxed about personalization—76% welcome it—yet 55% have data concerns.

“Consumers are looking for convenience,” says Traflet. “They are generally willing to share their data if, in return, a brand can let them know quickly what good or service it has that can meet their specific need.” But most consumers, she says, do not want to give a brand carte blanche to perform any type of analysis of their data. Giving consumers more control over the depth of analytics a brand applies—through opt-ins, for example—is a good way to build greater trust in personalization, says Traflet.

Transparency is the best policy.

Consumers are loud and clear about how brands can earn their trust: Be honest and transparent. When companies are obtaining third-party data to provide personalized experiences, and when they use new technologies such as AI in such interactions, consumers want them to be open about it.

“Transparency is the key,” says Littley. “Consumers will accept practices such as the use of third-party data as long as brands are transparent about it, there is no perceived misuse of personal data and consumers feel they get value from it.”

Transparency will also go some way toward regaining the trust of consumers whose data has been misused or compromised. It could even help brands salvage the trust of those who have suffered material consequences from such breaches, including financial loss.

More than a quarter of our survey respondents (28%) have had their data compromised, misused or shared without their consent by a company in the past two years. Spam has been the most common consequence, while others report identity theft, financial loss and reputation damage.

Free Spirits, probably because they have a more open approach to data sharing, are much more susceptible to breaches than the rest of the sample: 58% say they have had at least one incident in the past two years. In contrast, only 20% of the Need More Convincing group and 25% of Cynics have had at least one incident.

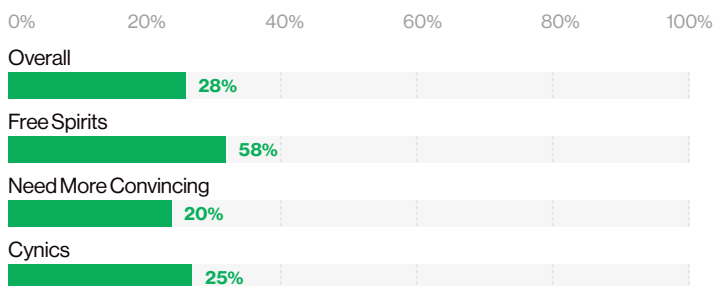


Figure 7. Consumer experience of data breaches or misuse. Share of respondents whose personal data has been compromised, misused or shared without their consent in the past two years by an organization they have interacted with

Consumers’ intent to punish companies for breaches is rarely matched by action. On learning that a company had shared their personal data without their consent, 32% of respondents say they would cease interacting with the firm. But in a separate question, just 16% say they have actually done so. And few have taken active measures, such as lodging a complaint with the consumer protection authorities (10%) or requesting that the company identify whom it’s sharing data with (11%). They are more likely to simply adjust their privacy settings on the brand’s website (an action taken by 32%).

This gap between consumers' words and their actions is no surprise to Colson Hillier. Few, he says, will take action, partly because they see it as difficult. "Until now, that has worked in brands' favor," he says, allowing them to capture maximum data from website or app users.

Brands cannot afford to assume that consumers will always be so disinclined to action, however, and need to take steps to build consumer trust. For example, says Hillier: "Brands can make it much simpler for consumers to control their privacy, and that will benefit everyone. Simplicity also builds trust."

A halo of trust

When there is a breach, brands need to act quickly to restore trust. Our survey shows that after a negative data experience, consumers want the brand to acknowledge the breach, promise not to share their personal data in the future and explain what steps the brand is taking to improve its practices. All three groups, Free Spirits, Cynics and Need More Convincing, agree on this point (see Figure 8).

"It starts with acknowledgment and ownership," says Hillier. "And that needs to be rapid—not something that looks like the company is buying time in the hope that things blow over." Then comes educating the consumer. "This is what we're doing. This is why we're doing it. Here's how you're protected," he says. "Putting those three bullets in front of a customer will go a long way to establishing a sort of 'halo' of trust."

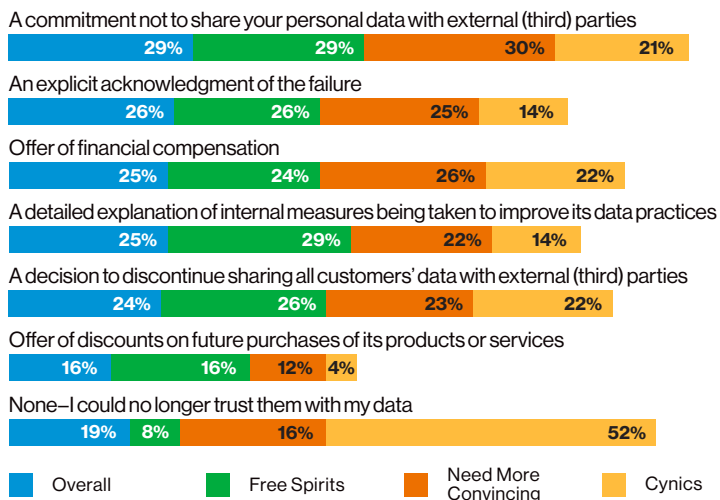


Figure 8. What companies must do to regain lost trust. The main measures respondents would want a company to take, in order to rebuild trust, if it failed to protect their personal data

Conclusion: Trust is there to be won.

Most of the consumers in our survey are open to being convinced that they can trust brands with their data. Even when they have concerns about how their personal data is collected and used, most consumers are happy to provide it in return for convenience, speed or another form of value. Few consumers are driven to switch as a result of brands' data practices.

The frequency of data breaches and other incidents of misuse suggests some complacency among brands about consumer acceptance of their data practices. Brands should not mistake grudging acceptance for trust, however. The strongest customer relationships are based on a foundation of trust and transparency, and brands must remember that as they seek to deliver better customer experiences.

Four takeaways emerge from our research for brands seeking to build such a foundation:

Prioritize your own customer engagement journeys, not those of third parties.

There is risk in gathering data from third parties, as it could become evident to consumers. The research makes clear that this can damage customer relationships—and perhaps even end them.

Put the consumer in charge.

If you use AI in consumer interactions, give consumers the option to also interact with you in another way. Forcing consumers into technology experiences they do not want causes frustration and erodes trust.

Make it simple.

Consumers say they want control over their data, but few make the effort to exercise control, due to the time and complexity involved. Brands that simplify the process are more likely to win trust.

Be fast, as well as honest.

Despite the best of intentions, data breaches happen. Consumers appreciate transparency about these incidents, but they appreciate it less if they think the brand has delayed acknowledging the problem.

About the research

The analysis in this report is based on a survey of 6,000 consumers conducted in September 2020. The survey was carried out by Longitude, a Financial Times company, on behalf of Verizon. The respondents lived in 15 countries, were aged between 18 and 65, and were evenly split between men and women.

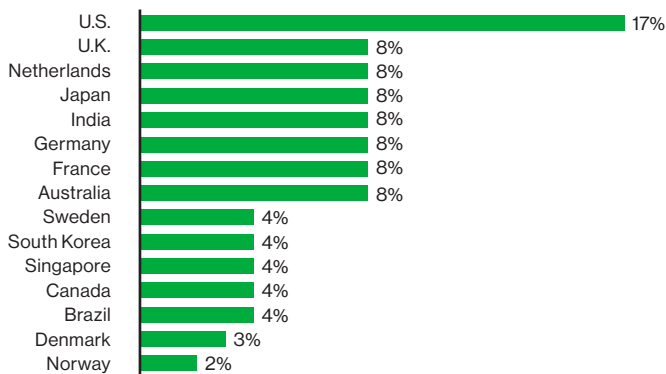


Figure 9. Survey respondents by country.

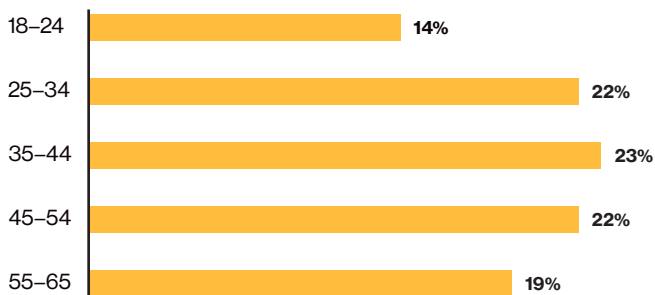


Figure 10. Survey respondents by age group.

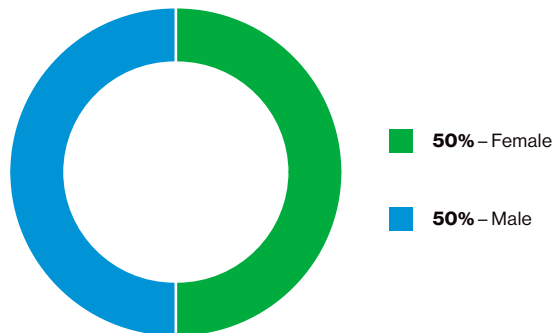


Figure 11. Survey respondents by gender.

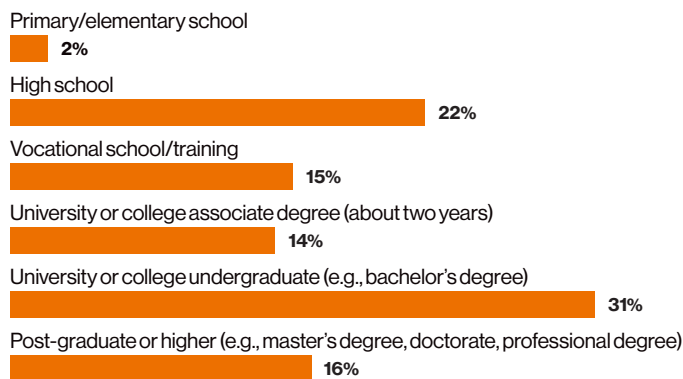


Figure 12. Survey respondents by education (highest level reached).



1 We used two survey questions to identify respondents who meet the criteria for inclusion in each of these groups: their extent of comfort or discomfort with sharing personal data, and the approximate number of companies they trust (among those they interact with regularly) to treat their data in a responsible way. We allocated 41% of respondents to these groups based on their responses; we were unable to reliably do this for the remaining 59%. The large number of unallocated respondents suggests a considerable degree of indecision among many consumers about data sharing and ambivalence about brands' data practices.

2 To allocate respondents to each of the three personas, the survey asked them to indicate the extent of their comfort or discomfort in participating in interactions or events that use AI, facial recognition and speech recognition. We allocated 69% of the respondents to one of the groups based on their responses.

3 "A world without third-party data: The end of personalized marketing?," ClickZ, May 7, 2020. <https://www.clickz.com/a-world-without-third-party-data-the-end-of-personalized-marketing/261402/>