Finding the Right Balance Between Personalization and Privacy
About the Research

SAS conducted an online survey among adult consumers yielding 2949 responses from the US (36 percent), the UK (11 percent), Canada (11 percent), Portugal (11 percent), Australia (11 percent), New Zealand (10 percent) and Spain (9 percent).
The personalization privacy paradox talked about so often these days continues to challenge marketers to find the sweet spot between individualized and invasive communications with customers. Although the customer’s digital footprint provides great opportunity for one-to-one communications, marketers are walking a tightrope today with data privacy issues. Data can simultaneously bring customers and brands together and further drive them apart. Continuing media coverage of questionable uses of personal information have consumers on edge. To complicate matters, privacy regulations differ by country, creating complexities for global brands.

This is the premise for the research study we undertook with over 2,900 consumers across seven countries in August 2014. The online survey captured information on the digital behavior of adults, assessed their willingness to provide personal information to businesses, and evaluated their attitudes towards personalization and privacy.

The Consumer Digital Footprint

As people across the globe engage digitally – on social media, with tracking devices, through mobile and online – they are providing businesses with a treasure trove of data for segmenting and targeting their customers. This information gives insight into facets of consumer behavior that, prior to the Internet, was nearly impossible to obtain.

Now businesses can understand the customer’s journey from the “zero moment of truth” to post-purchase. The consumer digital footprint is one of the most valuable tools in personalizing marketing messages and content.

Based on responses to the survey about digital behavior, we calculated a consumer digital footprint score to serve as a basis for understanding how broadly consumers are implicitly sharing personal information. The footprint score ranges from 0 (no digital footprint) to 100 (highest possible digital activity measured by the survey questions). The survey respondents have an average digital footprint of 56 out of 100 (Figure 1).

The footprint components and why they’re important to personalization

Smartphone and tablet use give businesses a direct line of sight into their customers, strongly facilitated by smartphone users’ love of mobile apps (downloads of mobile apps are expected to reach nearly 140 billion worldwide this year). Consumers continue to expand their digital footprint through online purchases via PC and mobile. Worldwide business-to-consumer e-commerce will reach US$1.47 trillion this year, an increase of 20 percent over 2013.

Loyalty program memberships and online profiles also provide businesses with the perfect opportunity to gather information directly from the customer and match it with purchase behavior across all channels. Customers’ real-time location information through social media “Check in” and mobile devices gives businesses the opportunity to personalize messages and offers in the moment.

Our survey respondents spend an average of 77 minutes a day on social media.

Figure 1: Respondents’ digital behavior
Digital differences by geography and age

This research finds some interesting differences in the consumer digital footprint by country. Respondents from the UK have the largest footprint based on higher levels across all digital activities, particularly their purchases online via a PC or mobile device. Portugal’s footprint is buoyed primarily by the high percent of smartphone use reported by respondents and a higher than average amount of time spent on social media. On the opposite end, Spain comes in below all other countries in the survey based on a significantly smaller percent of loyalty program memberships among survey participants (Figure 2).

Of high significance to marketers are the data privacy laws by country. Data privacy is a broad issue, and governments across the world continue to struggle with the appropriate measures to take to protect citizens’ privacy as the amount and variety of personal information explodes.

In the EU, data privacy is governed by the Data Protection Directive adopted in 1995. However, changes are brewing with the new EU Data Protection Regulation in the works. In the UK and Spain, consent of the individual is required to collect and process information, and in the case of sensitive personal information, explicit consent is required. In Portugal, the laws are even stricter. Canada has levels of restriction similar to the EU, while New Zealand and Australia have lighter restrictions than the EU concerning online privacy. The laws in the US are somewhat of a patchwork across states, and other than strict privacy regulation for health care data, the US has the least restrictions on data privacy.

Not surprisingly, digital footprints also vary by age. While the young millennials (18 to 24) are generally more digitally dependent than older respondents, their participation in loyalty programs is much lower and hence decreases their digital footprint as we’ve defined it. Older millennials (25 to 29) actually register the largest footprint. Digital interaction overall decreases significantly after age 30, with the biggest drop among those 60 or older (Figure 3).

Expectations of Personalization

As consumers leave their digital footprint, they are generally aware that businesses are monitoring their activity. A 2012 research study found that UK and US consumers understand that businesses track their online behavior in order to personalize offerings. In addition to what’s now more traditional online engagement, customers are signing up, checking in, “liking” and engaging with businesses on social media. They are providing companies with unprecedented amounts of insight into their behavior, attitudes and sentiment.

In return, customers expect businesses to understand them. Our research indicates that the larger a consumer’s digital footprint, the more consumers expect businesses to know them. In fact,
the majority of our survey respondents (57 percent) agree with
the statement, “I expect companies I do business with to under-
stand my needs and preferences.”

As consumers increase their digital
footprints, they expect more
personalization.

The digital dilemma
But our survey also suggests that the public is growing more
concerned about their data based on events reported in the
media. Security breaches, government use of personal informa-
tion, marketing communications that are a little too personal –
combined with a growing perception that big data is another
term for “Big Brother”– have consumers increasingly on edge
about their personal information and who has access to it.

More than two-thirds (69 percent) of our survey respondents
agree that recent events in the news have increased their
concerns about their data in the hands of businesses. In
addition, there is strong sentiment about the use of personal
information in marketing. Do consumers really want personal-
ized messages? Yes. Personalization works. Everybody knows
that. But nearly three-quarters (73 percent) of our survey
respondents feel that using personal information without their
permission violates their privacy—and half (52 percent) feel
strongly about this.

For marketers, this creates a digital dilemma. With the rich
information available to them through the consumer digital
footprint, marketers can understand the customer at the
individual level and provide relevant, timely and personalized
communications.

But tracking customers digitally and sending them messages
that clearly indicate they are being watched can be risky. While
more and deeper insight about the customer helps target the
individual, it can also be perceived as breaching their trust and
end up driving them further away. Marketers can benefit by
understanding what information customers are willing to share
and what they expect in return.

Consumer Willingness
to Share Information
Online activities such as banking, shopping, accessing accounts,
and making travel arrangements typically require the customer
to provide personal data. Interestingly, however, our survey
results show fairly low levels of willingness to give out their
information to specific industries.

Figure 4: “How likely are you to share personal information
with these industries?”

This likelihood to share personal information with businesses
seems to be strongly driven by necessity and the relationship
between the customer and the business. For example, nearly
three in four respondents (73 percent) indicate that they are
likely to share information with banks or credit unions
(28 percent “very likely” and 45 percent “likely”).

Financial services institutions require a high level of personal
information from their customers, in part due to regulations.
In addition, customers rely a great deal on the integrity of the
institutions to protect their assets and their information. This
entails a high level of trust. Relationships customers have with
banks and credit unions are typically long term–sometimes
lasting a lifetime. Thus, it makes sense that banks stand out from
other industries in consumers’ likelihood to share personal
information (Figure 4).

From banks and credit unions, this likelihood takes a dramatic
decline to the next tier of industries—phone service providers,
retailers, and travel and leisure businesses. Customers are slightly more likely to share information with phone service providers (16 percent “very likely”) than retailers or travel services, perhaps because phone service typically involves a long term commitment and is generally exclusive. Retailers and travel businesses, however, are generally used on an as needed basis—customers can make different choices at any time, and can engage with multiple businesses at once.

Consumers are least likely to share personal information with entertainment providers. Interactions with these businesses are, on the customer’s end, more superficial. Investments are generally small and time commitments low. Customers don’t feel a need for these business to know any more about them than their transaction history.

We see some interesting differences in information sharing attitudes across various countries. Most notably, UK respondents stand out for their high likelihood to share personal information with retailers (64 percent) They are actually as likely to share information with a retailer as they are with a bank (62 percent). In fact, the UK respondents’ likelihood to share information with banks or credit unions is significantly less than that of any other countries represented in the survey. This corresponds with the results from a survey on consumer banking, which shows that the UK lags the rest of the world in trust levels in the banking industry. Interestingly, the respondents in the UK are much more likely than those in other countries to share information with entertainment providers (Figure 5).

The Information Trade-Off

If customers are uneasy about the means marketers are using to obtain information about them, it’s important to know what information they are willing to provide in order to get more personalized communications. Our research suggests that nearly all consumers are willing to share their name and email address. Providing just these two pieces of information allows the customer to keep the communications on their terms—email can be ignored or deleted. But as the information gets closer to providing means of invasive communications (address, cell phone and home phone numbers), the customer is more likely to clam up.

In order to get more personalized and relevant offers, about three-quarters of customers are willing to provide their birthday month and year. Not surprising, since birthday offers are very popular with customers and yield 481 percent better transaction rates than promotional emails. About two out of three consumers will share lifestyle information and an address (which can help provide additional insight through geographic segmentation). Consumers are more reluctant to provide either a cellphone or home phone number, which would allow direct access and result in more invasive communications. Very few are willing to share credit card information or financial data (Figure 6).

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4 Ernst & Young Global Consumer Banking Survey 2014
5 Why birthday emails should be a part of every marketers program

Figure 5: “How likely are you to share personal information with these industries?
Factors Influencing Willingness to Share Personal Information

Previously we noted that the low level of trust in UK banks seemed to be related to a lower willingness to share personal information. The survey appears to bear out the relationship between trust and willingness to share information. Trust in data security is by far the biggest factor in a customer’s decision to provide information. In fact, an important finding in this research is that people who are confident that businesses keep their data secure are willing to provide more personal information.

The second key influencer is the “give to get” factor. Customers are willing to give information if they get something in return. We see this in the burgeoning loyalty program memberships across the globe which continue to grow at high rates (Figure 7).

The third and fourth factors influencing information sharing are a function of patronage and preference. Consumers are more likely to give personal information to businesses that they frequent or to those that offer products they are interested in. Finally, the fourth most important factor is the company’s privacy policy. Businesses must be able to articulate the manner in which they will handle the customer’s information.

Consumers Love Personalization: What Companies are Doing Right

“They consistently make me aware of offers on things based on what I’ve searched or purchased.”

“They send emails about sales that are more relevant to my needs.”

“They show things that I have looked at and they are not too intrusive about it.”

“Offers are tailored to my purchase patterns and habits.”

Comments from survey respondents about companies best at personalization.
A good portion of consumers agree that they have noticed businesses are getting better at communications, but fewer agree that they are seeing a reduction in the number of irrelevant offers and promotions. Clearly, there is still work to be done in getting personalization right.

Attitudes About Data Privacy and Personalization

We’ve already noted that sensitivity to data issues among the survey respondents has been heightened by media reports on the use of personal information. Consumer confidence in data security is marginal at best. Consumers feel that using their information for marketing purposes without their permission is a privacy violation. Customers want to know what’s being done with their information, but they don’t feel businesses are doing a very good job of keeping them informed or being upfront about their privacy policies (Figure 8).

73% of consumers view use of personal information without permission as a violation of privacy.

<table>
<thead>
<tr>
<th>Factor</th>
<th>% Somewhat Agree</th>
<th>% Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses are open and transparent about their policies on using personal data</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>I feel confident that the information companies have about me is secure</td>
<td>30%</td>
<td>9%</td>
</tr>
<tr>
<td>Companies are good about keeping customers informed of changes to their policies regarding use of personal information</td>
<td>30%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Figure 7: Factors that Influence Consumers’ Willingness to Provide Information

Figure 8: Attitudes about privacy practices
Getting Personalization Right

Globally, online retailers and grocery stores are viewed as similar in their personalization efforts, according to our survey. If online retailers have more access to digital information, they can connect the customer’s journey from beginning to end, giving them an advantage. Most online retailers use their customer data to make recommendations to customers based on their history. Grocers typically offer rewards or loyalty cards, which are scanned at each transaction, allowing them to effectively track customer purchases and target offerings based on past customer behavior. On the other end, entertainment providers and airlines are viewed as least effective in personalizing their offers to customers (Figure 10).

US Attitude Comparison 2013 to 2014

Last year, we conducted a survey on personalization attitudes and perceptions among over 1,000 US consumers. Five of the attitudinal questions were repeated this year.

Of particular note is the decline in the percent of US respondents who expect companies they do business with to understand them (58 percent to 53 percent). This might be related to numerous data breaches among retailers over the past year. The decline corresponds with an increase in the concern over businesses having access to personal information (Figure 9).

### Table: US Consumer Attitudes Toward Personalization and Privacy

<table>
<thead>
<tr>
<th>Question</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over the past five years, I’ve seen a decline in the number of offers and promotions I receive that don’t relate to me.</td>
<td>37%</td>
<td>↓34%</td>
</tr>
<tr>
<td>I expect companies I do business with to know my preferences and understand my needs.</td>
<td>58%</td>
<td>↓53%</td>
</tr>
<tr>
<td>Over the past five years, I’ve noticed that businesses are getting better at personalizing their communications.</td>
<td>57%</td>
<td>↓55%</td>
</tr>
<tr>
<td>Using information about me without my permission to send marketing messages is a violation of privacy.</td>
<td>75%</td>
<td>↑76%</td>
</tr>
<tr>
<td>With recent events in the news, I’m more concerned about businesses having access to my personal information.</td>
<td>72%</td>
<td>↑77%</td>
</tr>
</tbody>
</table>

Figure 9: US consumer attitudes toward personalization and privacy

Figure 10: “How well do these industries know their individual customers?”

Consumers view online retailers and grocery stores as best at personalization.
There are some interesting differences by geography in opinions of industries that do the best job at personalizing. Most countries in our survey view grocery stores as best. In the US, consumers rate online retailers higher. Surprising, Portugal and Spain see businesses in the lodging industry as doing the best job of personalization.

<table>
<thead>
<tr>
<th>Industries viewed as best at personalization</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery Stores</td>
<td>Australia, Canada, New Zealand and UK</td>
</tr>
<tr>
<td>Online retailers</td>
<td>US</td>
</tr>
<tr>
<td>Lodging</td>
<td>Portugal, Spain</td>
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</tbody>
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Companies Noted for Personalization

In total, Amazon is viewed as the company best at personalization by a wide margin, driven largely by the high number of US respondents (Figure 11). However, by country, the results are quite different. In Australia, the most mentioned business was Coles (supermarket). New Zealand respondents also chose a grocer, Countdown, most frequently. In Canada, and the UK, Amazon topped the list; but in the UK, Tesco, also a grocer, was a close second (Figure 12).

Conclusions

The average consumer is exposed to hundreds, if not thousands, of marketing messages a day, most of them irrelevant. Nobody’s got time for that. Consumers today expect better. They live and work in a digital world where they are not afraid to leave their footprints through social media, mobile devices, location tracking and online engagement. They know that companies are keeping tabs on them, and they expect businesses to understand their needs and preferences. They want personalized offerings and communications.

Big data and more traditional sources of information – combined with analytics and data management capabilities – afford immense opportunities for businesses to provide this personalization through segmentation, targeting and engaging customers in relevant one-to-one marketing. And many consumers are noticing that businesses are getting better at personalizing communications.

But marketers walk a fine line between personalization and respecting the consumer’s privacy. Data privacy laws by country set some standards for use of personal information, but these vary by geography and further complicate the issue for global marketers. What’s more, consumer sensitivity to data privacy has been heightened by recent events in the news. Consumers are more wary about who has their information and how it is being used.

It’s not surprising then, that trust in data security is the driving factor in customers’ willingness to share personal information. Most business-to-consumer companies focus on enticing the customer with benefits (such as discounts, free shipping, etc.) in exchange for their information. And this works – at the superficial level. Customers will often give their names and email addresses in exchange for a discount off today’s purchase. But when it comes to getting customers to give more personal...
information – the kind that helps establish a more meaningful relationship – organizations must provide evidence that this information will be safe. Longer term, customers need to see value in sharing their information. A discount now might not be worth it if the customer rarely purchases from the business and fears being inundated with emails in the future.

As companies make more use of customer information and analytics, they have a good deal of work to do in easing their customers’ minds about the use and security of personal information. Customers don’t feel that companies are open about their policies on using personal data and feel uninformed about changes in those policies. Even more importantly, there is a fairly low level of confidence that personal information is secure. One media report of a security breach or misuse of personal information shakes the confidence of all customers.

And as consumers continue to use technology that opens their lives to others, they have dual expectations of businesses: understand me as an individual and protect my privacy.

Recommendations

To bolster consumer trust and confidence, companies should protect and treat customers’ data like it’s their own. Businesses must think of data privacy not as a back-office activity for compliance, but as a competitive differentiator that improves the customer-experience. As they work on their internal data stewardship, companies should consider these elements:

From an internal data stewardship perspective, companies should consider these elements:

- Make your data policies transparent. For all data collected there should be a stated purpose.
- Ensure and regularly verify data quality. Records kept on an individual should be accurate and up to date and deleted when it is no longer needed for the stated purpose.
- Ensure data security and protection by using the appropriate tools, including authentication, backup, replication, training, policies and procedures.
- Define a reasonable time period for the retention of data.
- Ensure contracts are clear and detailed, and made with reputable partners. Information collected by an individual cannot be disclosed to other organizations or individuals unless authorized by law or by consent of the individual.
- Use data management technologies to identify, link and reconcile data from various sources for a unified and trusted view of customer data, and to make that data useful by other functions within the company.

From a marketing perspective, companies should:

- Issue clear communications on how customer data is going to be used and what types of data is being collected.
- Provide mechanisms for individuals to review their personal data, to ensure accuracy. This may include periodic reporting.
- Refrain from asking consumers for too much data up-front. Focus on building the customer experience by collecting data incrementally and using analytics to enhance that experience.
- Infuse your marketing with ample opportunities for consumers to connect and share more with you. For example, you can ask customers to share their product preferences online, and request access to data such as current location to personalize experiences that feel natural as the brand-consumer relationship progresses.

In the end, it’s clear that businesses must align customer incentives for personalization in terms of relevancy and context with concerns over how personal data will be collected and used.

About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. SAS unites best-in-class marketing solutions, award-winning data management and the world’s best analytics to get businesses in sync with each customer’s journey. Through innovative solutions, SAS helps customers at more than 70,000 sites improve performance and deliver value by making better decisions faster. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW®.