

# Data privacy: the value of getting it right

*Conversations from the studio*



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### Who:

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### Where:

The iX studio

## Introduction

In today's hyper-connected digital world, data privacy is increasingly becoming a topic of concern among consumers and businesses alike. Brands looking to grow and retain customer loyalty must take every step to ensure their customers can trust them with their information. In this conversation from the studio, Digital Innovation Officer Dele Atanda and Senior Marketing Strategy Consultant Caroline Organ discuss the value of data privacy, what it means for customer engagement, and how brands can build and maintain that trust going forward.

## Data privacy: the value of getting it right

**Caroline Organ:** Data privacy is increasingly a topic on the CMO's agenda as well as the CIO's. What are the key trends that you are seeing?

**Dele Atanda:** The first one has to be the rising value of customer data. The WEF defines it as a new asset class and estimates that its value will rise to €1tn in Europe alone by 2020. This is not surprising when we consider how critical customer data has been to the valuations of some of the leading companies in the technology sector and sharing economy in particular. The value of data is only going to continue to grow as companies capitalize on the consumerization of the Internet of Things.

The second trend is a direct result of this: consumers are increasingly aware of the value of their personal data and want to make choices about how it is shared. 90% of consumers say that they want more control over the data they choose to exchange with brands and 80% see their personal data as their property that they should be able to trade.<sup>1</sup>

**CO:** What fascinates me in this space is its relevance to the topic of consumer trust. 40% of consumers said that the most important factor when deciding to share personal information was the trust they had in that organization — four times more than any other factor.<sup>2</sup>

If brands want to harness the potential of customer data; brand trust is now table stakes. And, equally, our trust in brands is at stake if they are perceived to misuse it.

**DA:** Exactly. Some of the real beneficiaries of the Information Age have undoubtedly sailed too close to the wind before on this.

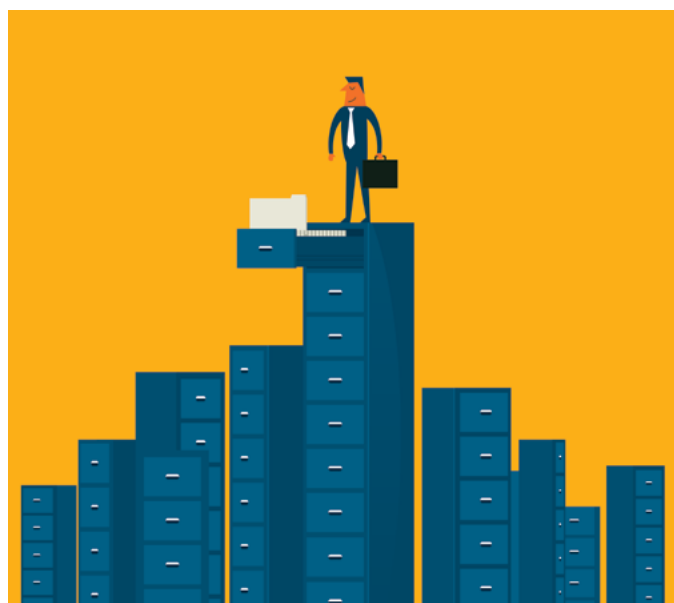
**CO:** And the risk in cases like this is that, far from harnessing our data to build deeper, longer-term relationships, brands actually compromise their consumer relationships.

Given the size of the opportunity, brands clearly can't shy away from data. How do you see brands capitalizing on the explosion of new data sources as well as the paradigm shift towards consumer empowerment?

**DA:** I think one of the most interesting case studies here is the automotive sector, which has a lot to gain from the Internet of Things and the data it produces, specifically the movement towards connected cars.

The connected car will open up a direct route to market for automotive companies, who will be uniquely well-placed to offer drivers myriad in-car products and services. This will enable them to start encroaching on typically separate sectors; however it also opens up the risk of industry convergence negatively impacting their own organizations if they fail to make best use of this development.

**CO:** I can see the opportunity for automotive companies and the risk of being slow to develop this technology, however, in embracing it, aren't these brands substantially raising the stakes for themselves in the domain of data privacy? A recent McKinsey report highlighted that 37% of consumers would consider not using a connected car because of data privacy concerns<sup>3</sup>, suggesting that this is a real concern for consumers.



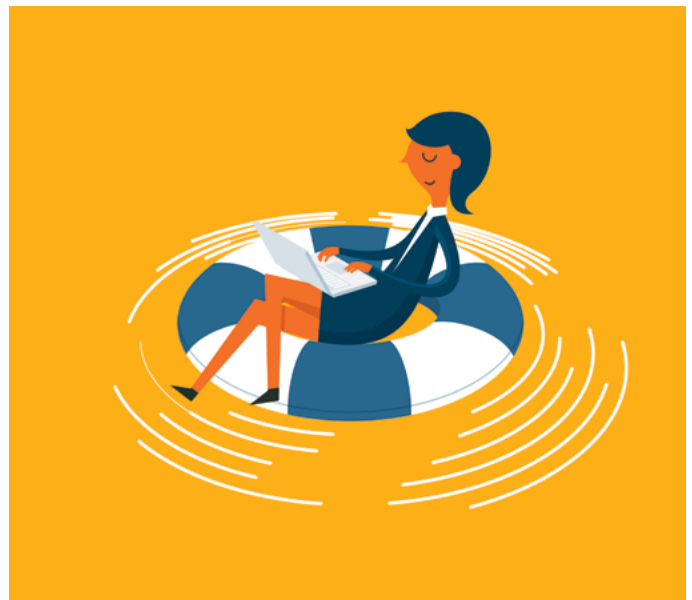
*Figure 1:* Consumers increasingly see their data as valuable property and want more control over how they share it with brands.

To my mind, this means that in the future we will need to trust our automotive brands to not only produce a high-quality vehicle, but to process and manage significant volumes of sensitive information about us as individuals.

**DA:** Absolutely and that is a significant level of trust to build! To earn that trust, brands are going to need to be transparent about the data they are collecting, how it is being used to deliver genuine value and offer the consumer complete control of its flow to third parties. Given the increasingly entrepreneurial mindset that consumers have in relation to their data, I would also expect to see the most innovative players incorporating data trading elements into their propositions.

**CO:** Innovation can be a loaded word in this context. What would you say to those who are concerned that data privacy legislation has the potential to hamper innovation?

**DA:** To my mind data privacy is a fundamental human right and innovation can't be used to justify undermining it. Privacy is explicitly enshrined as an inalienable right in Article 12 of the United Nation's Universal Declaration of Human Rights. This is ethically, culturally and increasingly legally inescapable especially with the EU's coming new General Data Protection Regulation and the US's Consumer Privacy Bill of Rights. However, I would also say that innovation and privacy are not incompatible, in fact quite the opposite. One could even go so far as to say that enabling privacy is emerging to be the new forefront of innovation for brands in engagement through personal information.



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*Figure 2:* To build loyalty in the Information Era, brands must adapt to changing consumer attitudes on privacy.

I see brands innovating in the way they build consumer's trust with their data, adapting to changing consumer attitudes in the domain of privacy. Ultimately the most successful, forward-thinking brands see the Information Era as more than an opportunity to bolster short-term valuations, but as an opportunity to understand and serve their customers better than ever before, building deeper, longer-term relationships in the process. Leading brands increasingly understand that it is the use of privacy and mutual benefit as a means of building trust that enables them to build entrenched, sustainable relationships with customers which ultimately is what bolsters their revenues and market value. That's real innovation.

### For more information

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Caroline Organ is a Senior Marketing Strategy Consultant at IBM, with experience devising and executing digital marketing strategies across a range of sectors including sports, telecoms, FMCG and financial services.



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Dele Atanda is a Digital Innovation Officer at IBM iX. He is an expert on data privacy and its role in customer experience, speaking on the topic regularly at conferences worldwide.



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- 1 The DMA, *Data Privacy: What The Consumer Really Thinks*, 2015
- 2 The DMA, *Data Privacy: What The Consumer Really Thinks*, 2015
- 3 McKinsey, *Connected car, automotive value chain unbound*



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