E-Book

Balancing the Personalisation and Privacy Equation

The Consumer View

Teradata and Celebrus Technologies Limited: Research conducted by Redshift Research.

celebrus technologies

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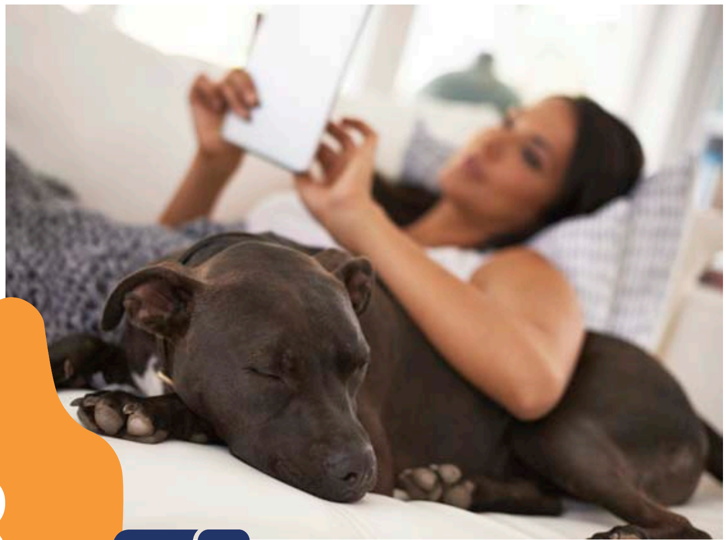
Personalisation: The difference between a good and bad customer experience has never been more critical.



Teradata and Celebrus Technologies commissioned Redshift Research to examine the different attitudes towards personalisation and data privacy amongst consumers in both the UK and Germany.

The research, undertaken in November 2014, revealed some interesting mixed messages from a consumer base that is increasingly brand aware, recognises the demands from brands for information and has valid concerns regarding data privacy – but is recognising the benefits of personalisation more and more.

Indeed, when done well, personalisation really works – it drives up sales and reinforces brand engagement. When done badly, however, it is beginning to seriously impact on a consumer's brand perception. Customers are far more likely now not only to move to a competitor but will also share a bad experience with friends and family at the same time, especially in the UK. Poorly executed attempts at personalisation can cause real damage to a business - very quickly.

Consumer awareness of data privacy issues is also strong – most notably regarding the sharing of data with third parties and concerns regarding spam. There are also clear differences in attitudes towards both the value of personalised offers and data privacy not only between UK and German consumers, but also across the age groups – many of which will surprise marketers. Who would expect the 18-24 group to be the most unwilling to share household income data and to be as reluctant to share social media data with brands as the over 65s?

One of the clear messages from the research is that consumers are looking for control in the way they interact with brands: they want control over the channel – with most still favouring the receipt of promotional information via email first, followed by website; control over their time – consumers want brands to know and recognise them, not demand the same information again and again; and control over their data both in terms of what is gathered and how it is used.

Executive Summary

However, as these three points demonstrate, there are mixed messages: how can a brand truly know a customer who is only willing to share gender/marital status information? It all comes down to the value exchange: the majority of consumers are happy to share personal preferences, such as dress size or favourite holiday location; they are also happy for brands to tailor offers and communications based on past interactions. But they have to get a good, personal and relevant experience in return.

Organisations need to be more open and transparent about what data is being gathered and how it is being used; they need to better understand each customer's level of data gathering comfort; and build trust by using that data to provide relevant and personal messages that, critically, ensure the customer feels in control.

If brands can build trust, consumers will share the information required in order to receive a good experience that gives them value; but that information must be respected and used in line with the customer's preferences. To do that brands need to understand their customers as individuals across all channels and devices otherwise they simply don't have the full picture.

One of the key findings of the research shows that while personalisation clearly works, there is no simple personalisation formula; no one size fits all. Organisations need to ensure strategies reflect not only different product and market areas, but also the different attitudes of each individual customer.

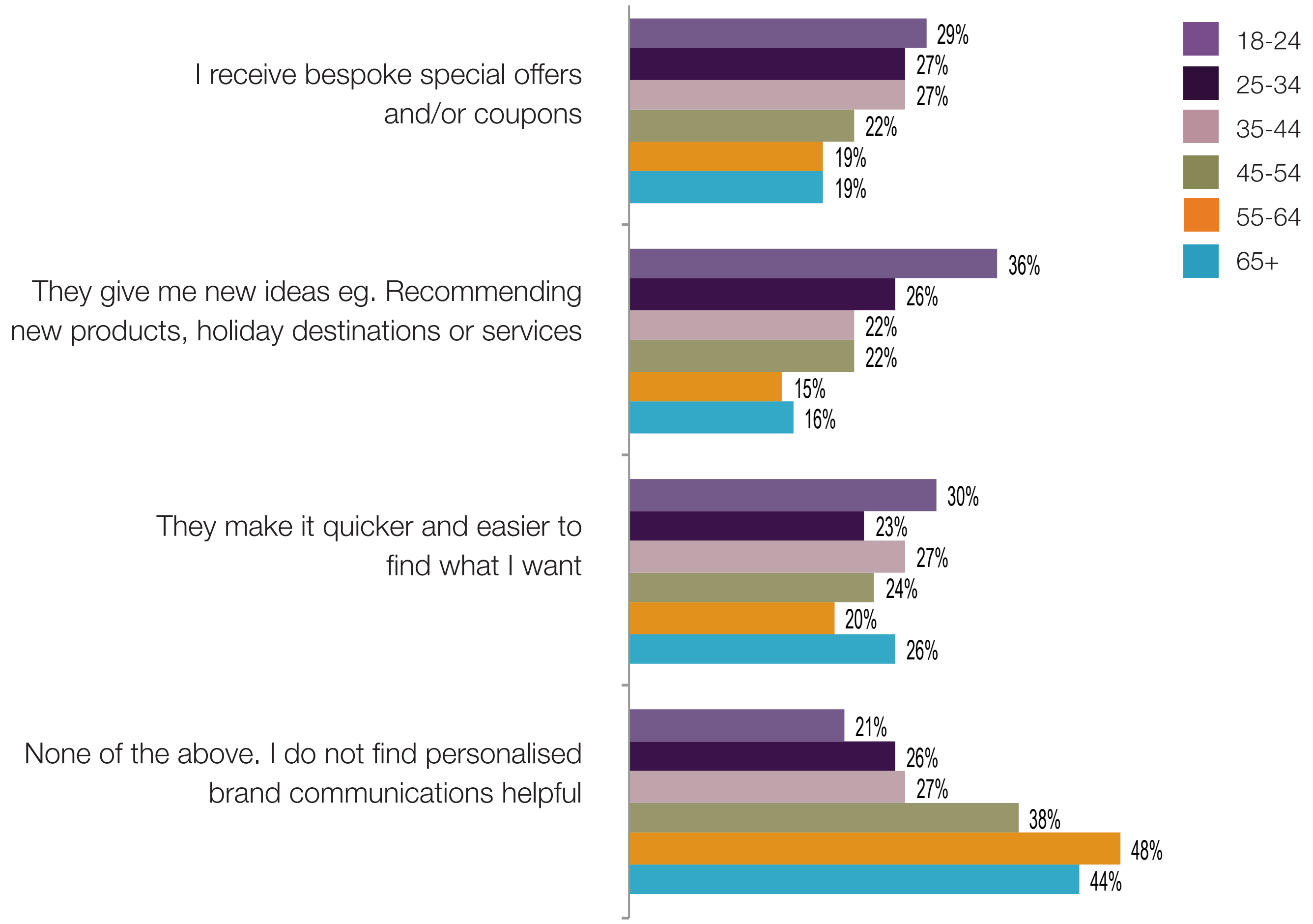
Consumers like Personalisation - and it works

Interestingly, the reasons for enjoying personalisation are split pretty evenly across categories:

- It makes it quicker and easier to find what I want (24%)
- I receive bespoke special offers and/or coupons (23%)
- It gives me new ideas, such as recommending new products, holiday destinations or services (21%)

The vast majority (63%) of consumers across every age group like to receive personalised offers. However, there are clear differences in attitudes across the age groups. Unsurprisingly, it is those under 25 who are more excited by the personalisation delivered by brands, with 79% of consumers aged 18–24 finding personalised brand communications helpful.

Q I like it when brands send me personalised messages, offers and updates because:

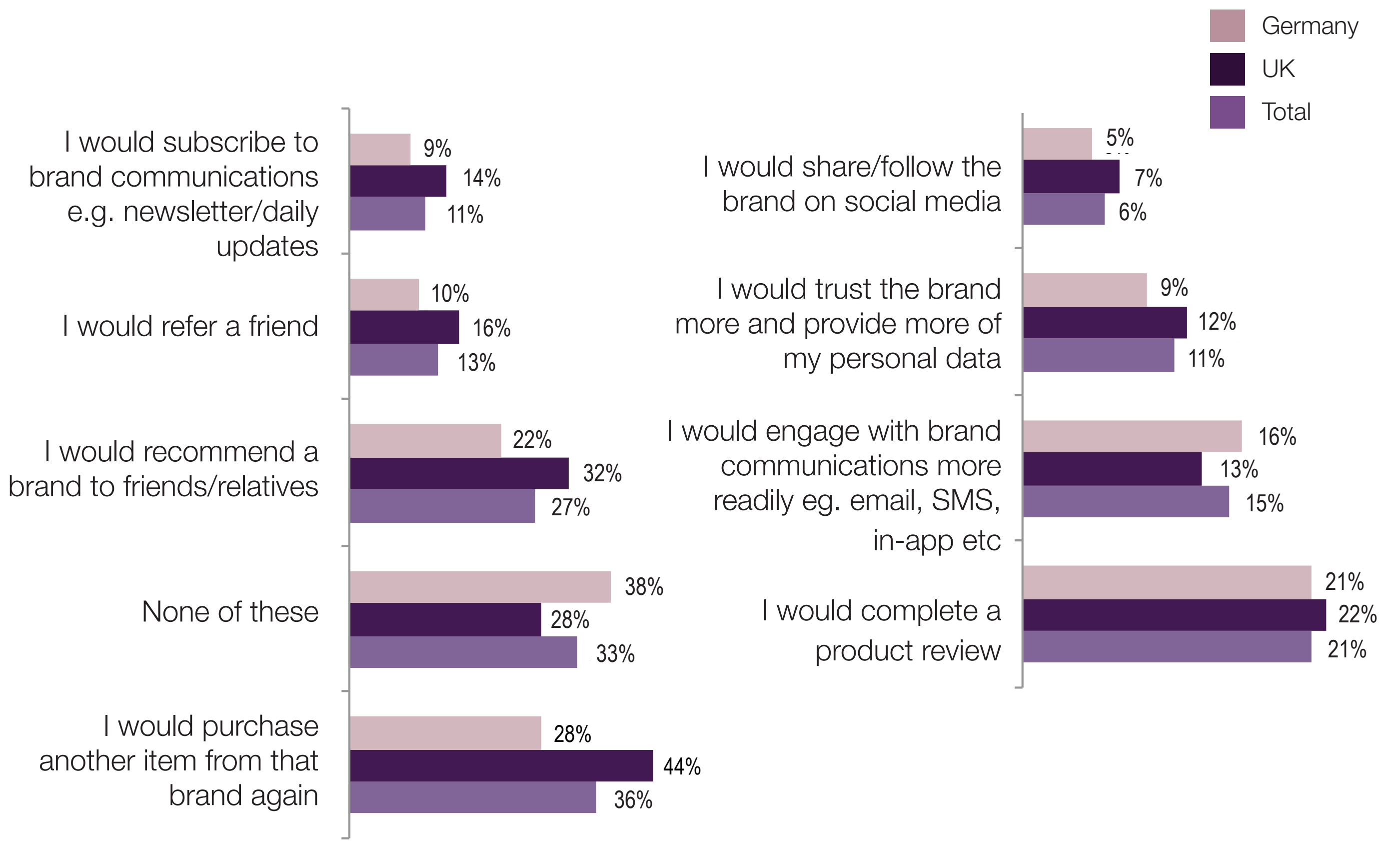


Consumers like Personalisation - and it works

These personalised experiences are working for brands – **over two thirds (67%) of consumers said they would positively interact with a brand in response to a good personalised experience**. The value of these positive interactions is clear:

- **Increase sales:** Personalisation has a measurable impact on revenue - over a third (36%) would purchase another item from that brand again and 27% would recommend the brand to friends/relatives.
- **Improve relationships:** Consumers are also far more willing to engage with the brand following a good personalised experience, with 21% saying they would complete a product review and 15% would engage more readily with brand communications such as email or SMS.

Q What would you do if you have a positive personalised experience with a brand e.g. you've received a timely offer for free shipping or you've been shown a relevant product recommendation after browsing online?

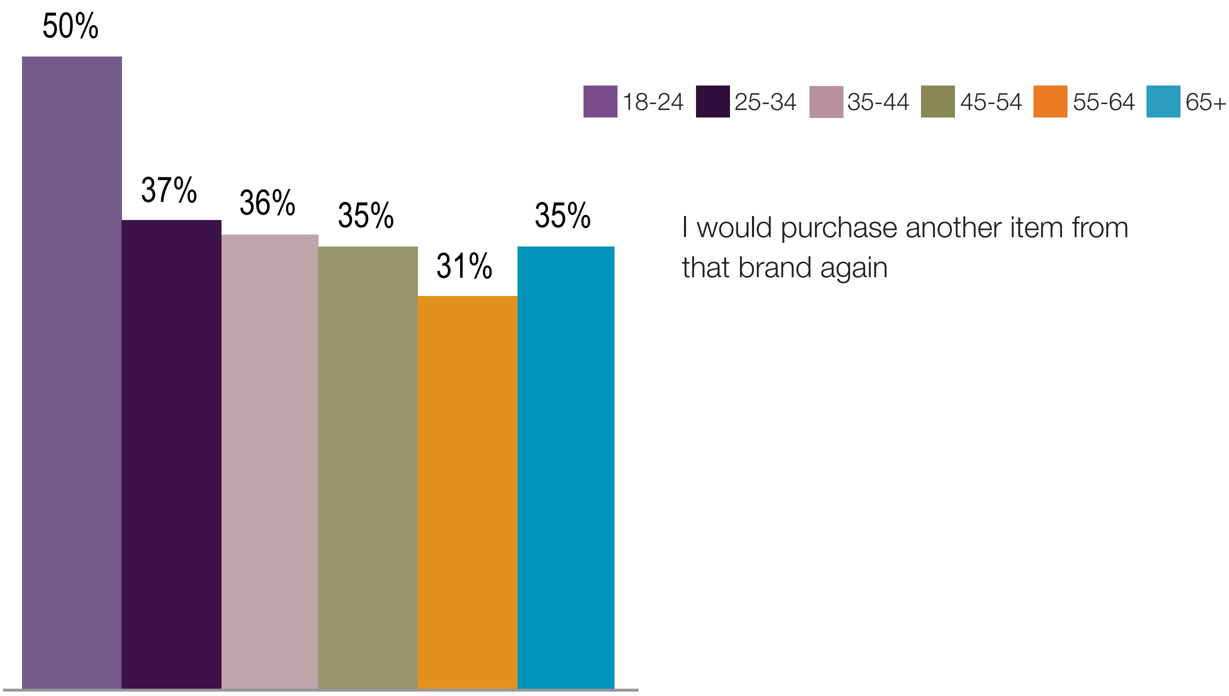


Consumers like Personalisation - and it works

However, there are marked differences in response between UK and German consumers – as well as older and younger consumers.

- 44% of UK consumers would purchase another item from the brand after receiving a positive personalised experience – as opposed to 28% of German consumers.
- 50% of consumers under 25 would buy another product from that brand again after receiving a positive personalised experience; compared with just 31% of those aged between 55 and 64.

Q What would you do if you have a positive personalised experience with a brand e.g. you've received a timely offer for free shipping or you've been shown a relevant product recommendation after browsing online? – People "I would purchase another item from that brand again"



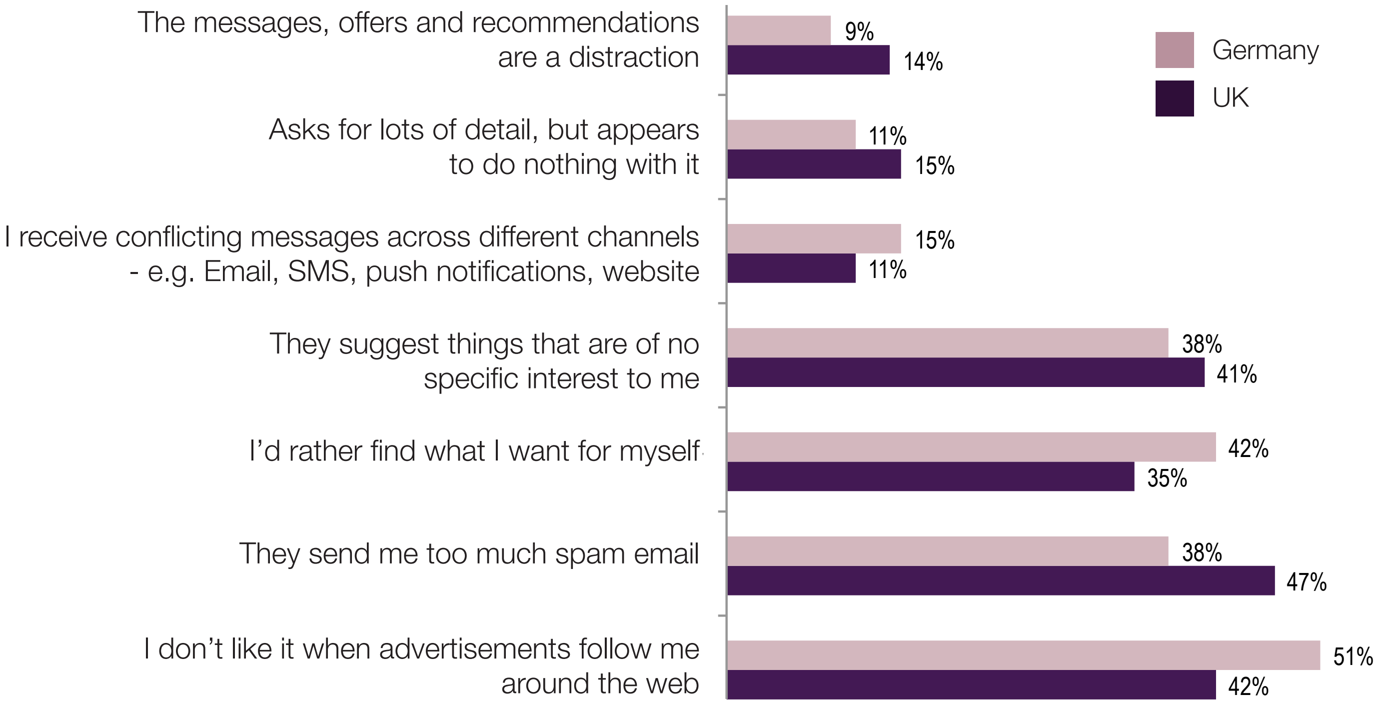
Key takeaway:

Consumers' experience benefits from good personalisation and UK consumers in particular are willing to react positively as a result. There are significant variations in attitudes across both countries and ages: there is no "one size fits all" approach. Getting personalisation right requires effort and investment, but there are considerable rewards to be repeated by the brands that get it right.

Poor Personalisation can be Damaging

So what aspects of poor personalisation most frustrate consumers? Almost half (46%) state that they do not like being followed around the web by display ads – an interesting consideration given the predicted growth in online advertising; while 42% resent spam email; and 39% dislike suggestions that are of no specific interest. Finding it "a bit creepy" scored only 15%, possibly indicating a good consumer comfort level with the use of personalisation overall.

Q I don't like it when brands send me personalised messages, offers and updates because:



These consumers certainly have a strong negative reaction to poorly personalised experiences, such as the receipt of an offer on a product already purchased – with 77% insisting they would take action in response.

Over a quarter (26%) would actively decide not to purchase from the brand again and almost a fifth (17%) would shop with a competitor – revealing the bottom line impact of poorly targeted and focused personalised activity.

In addition there is a clear impact on brand loyalty and engagement:

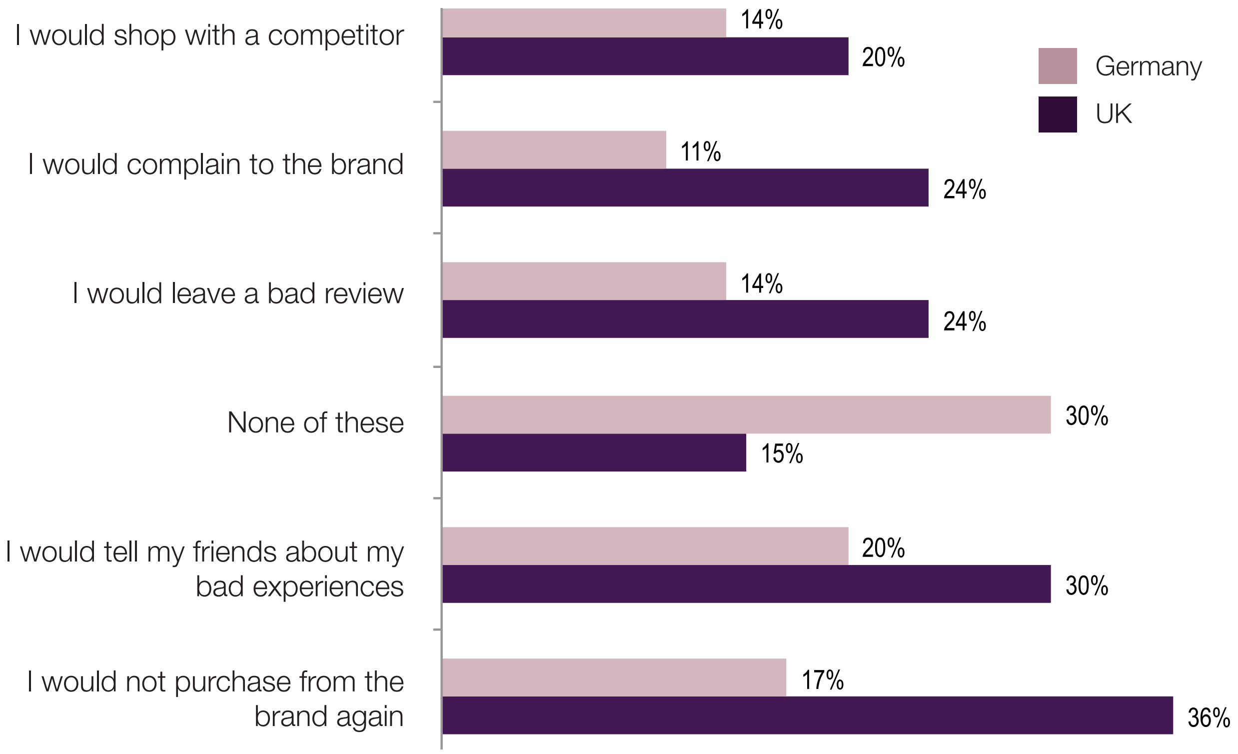
- **A third (33%)** would unsubscribe from brand communications.
- **A quarter (25%)** would tell friends about the bad experience.
- **25%** would also ignore any communications from the brand, such as email or SMS.
- **A fifth (19%)** would leave a bad review.

Poor Personalisation can be Damaging

Again there is a clear divergence in attitudes between German and UK consumers. In general, German consumers are more forgiving of mistakes and less likely to respond positively to good experiences. In contrast 85% of UK consumers will take action in response to a bad experience.

The positive and negative implications of personalisation are clear and the onus is on organisations to get the right communication to customers. The other aspect to consider is just how much data individual customers are willing and comfortable to share to enable that personalised communication – and the very real risks associated with misunderstanding customers' data concerns

Q What would you do if a brand failed to deliver a satisfactory personalised experience e.g. receipt of an offer for a product you have already recently purchased?



Key takeaway:

The business cost of poorly judged and incorrectly directed personal communications is becoming significant. In order to get personalisation right brands need to understand and respond to their customers at an individual level; a broad segmentation approach is no longer sufficient. Through using data and analytics to understand each individual as a coherent whole, brands can deliver the highly relevant communications that consumers now expect.

Consumers are Conscious of Data Privacy

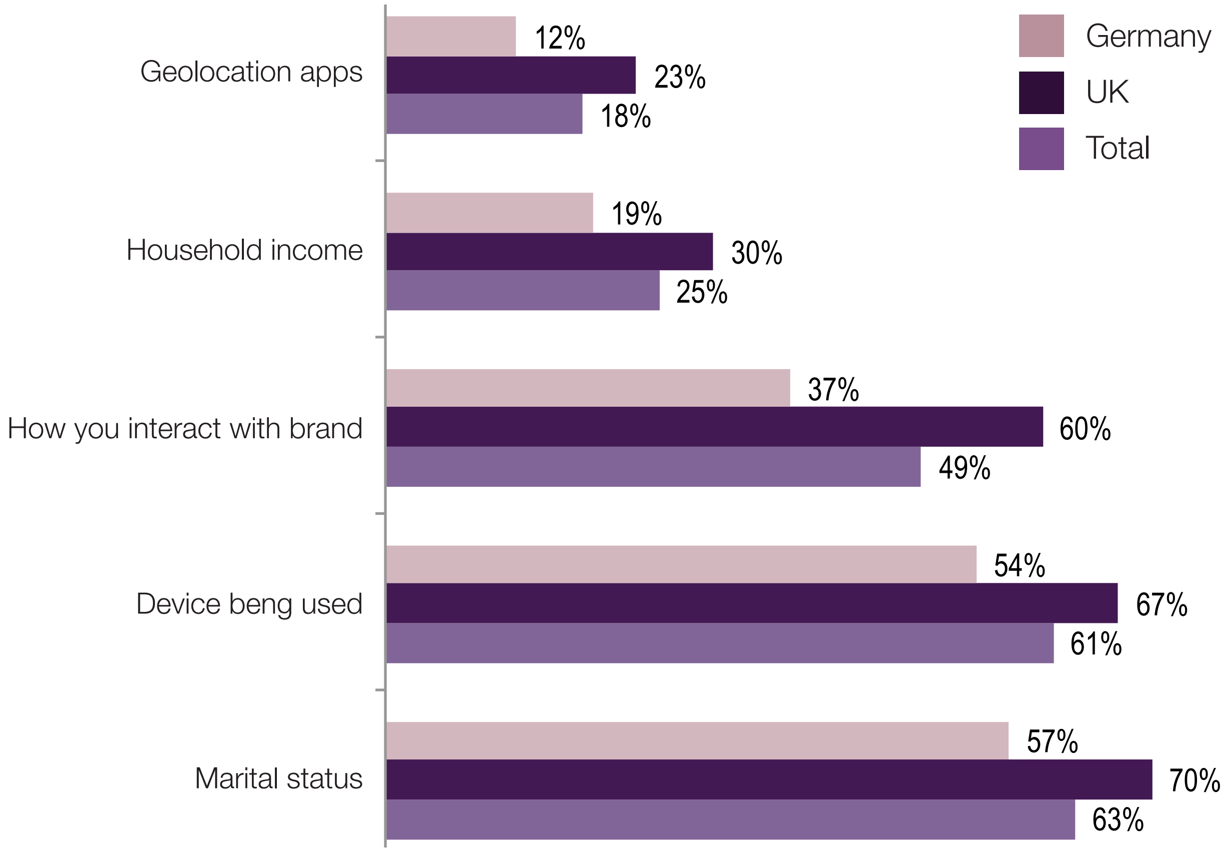
Consumers are becoming more familiar with requests from companies for information; but there are clear trends emerging regarding the type of personal information they are willing to share. Age and gender are happily shared by the vast majority; just 5% would never share age or date of birth - while only 2% would refrain from providing gender information.

Looking at the results in more detail:

- **32% of consumers over 65** are prepared to share household income data – although this drops to just 20% of those aged 18-25.
- **Over half (57%)** of consumers are also happy to share personal information such as personal preferences – dress size or favourite holiday location – with brands.
- **While most (55%)** will happily provide an email address, reluctance about sharing begins to appear as soon as brands start asking for information such as postal addresses, with only 34% happy to share this information, and phone numbers with only 15% happy to share these details. This reinforces consumer desire to control their engagement with brands.
- Consumers also **prefer to use social media** such as Facebook to connect with the brands they want, rather than being contacted directly by marketers, again retaining control over the relationship. This is not, as some would assume, an age-related concern: while 77% of all respondents would not share social media information, this rises to 79% of those under 25.
- **Almost two thirds (61%)** are happy for brands to tailor offers and communications based on past interactions both on and offline.
- **60% of UK consumers** are happy to share data about how they interact with a brand's website, compared to a more reticent view from Germany of 37%. However the numbers are closer when looking at the actual use of that data to shape personalised messages, with 46% from the UK and 37% from Germany stating that they are comfortable with the data being used in that way.
- Furthermore, **consumers are very unwilling to share geolocation** with brands that would allow the tracking of location – 82% do not want to share this information. With the increasing experimentation with beacon technology it will be interesting to see if this consumer concern arrests geolocation marketing growth, or whether the benefits experienced will outweigh the current scepticism.

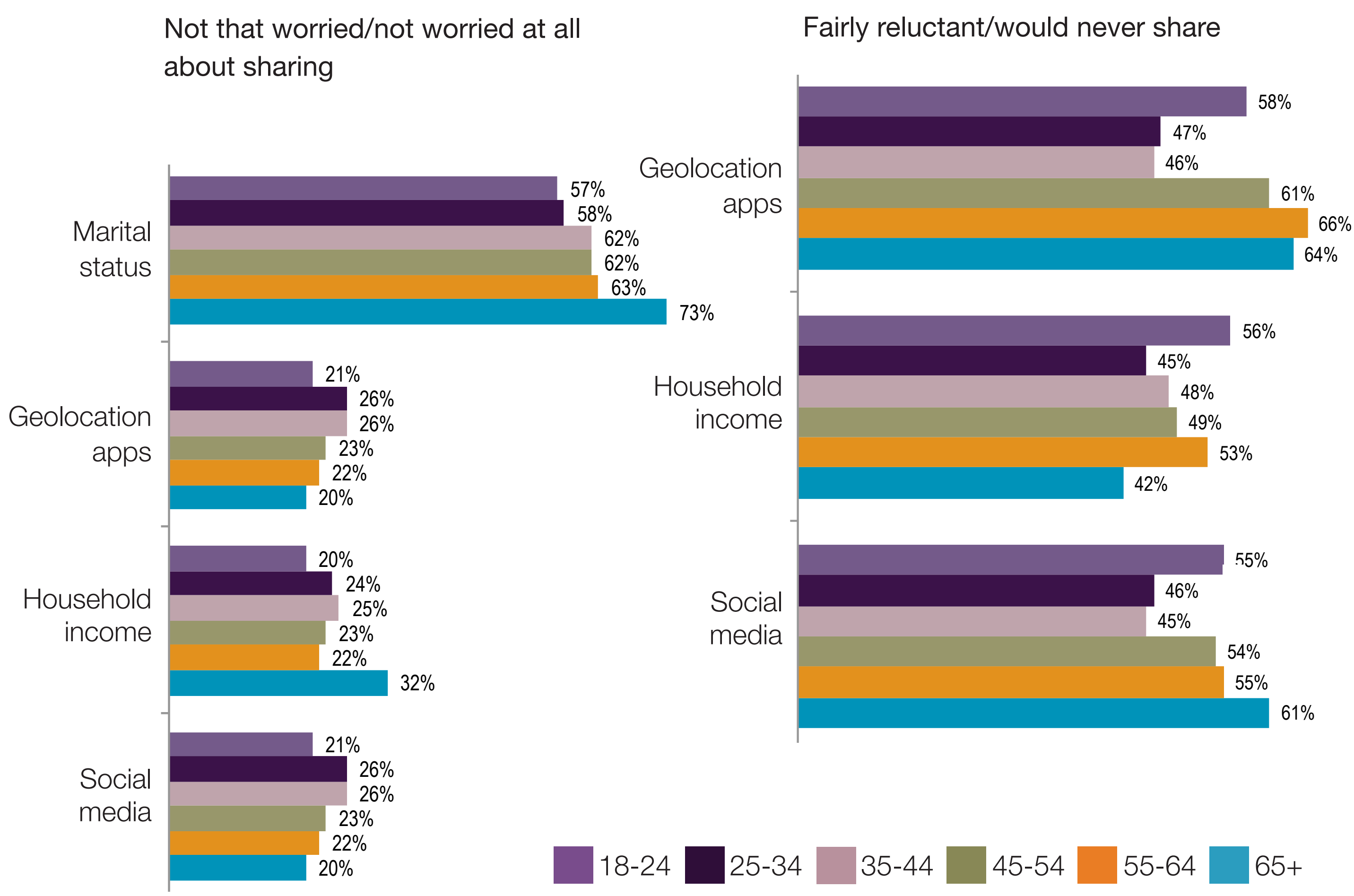
Consumers are Conscious of Data Privacy

Q How happy/willing are you to share the following types of personal information with brands you buy goods/services from online? – People "not that worried about sharing" or "not at all worried about sharing"



Consumers are Conscious of Data Privacy

Q How happy/willing are you to share the following types of personal information with brands you buy goods/services from online? – People "not that worried about sharing" or "not at all worried about sharing" and people "fairly reluctant to share" and "would never share"



★ **Key takeaway**:

Although generally UK consumers are happier to share personal information than German consumers, there is a complex mix of attitudes towards data across both countries and age groups. However, irrespective of age or nationality, one thing is clear - consumers want to retain control over their own data. In order to give them that control, brands must make it clear and easy for consumers to decide which data they want to share and continually evolve and review strategy.

Brands must Build Trust

To reap the rewards clearly available to those organisations that deliver a good, personalised customer experience, brands must build trust – and that is more of a challenge than many, especially within retail, may realise.

Overall, consumers do not demonstrate high levels of trust when it comes to expecting brands to treat personal information with confidentiality. Two thirds to three quarters lack a high degree of trust for most brands. So is this a result of poor personalisation techniques of old? Or simply a fear of data loss and identity theft?

The research indicates that consumers are particularly concerned about their data being passed over to third parties – just 15% would be comfortable to have the data that is used to provide a personalised experience (such as browsing behaviour on a website or previous purchase history) to be passed on to other brands.

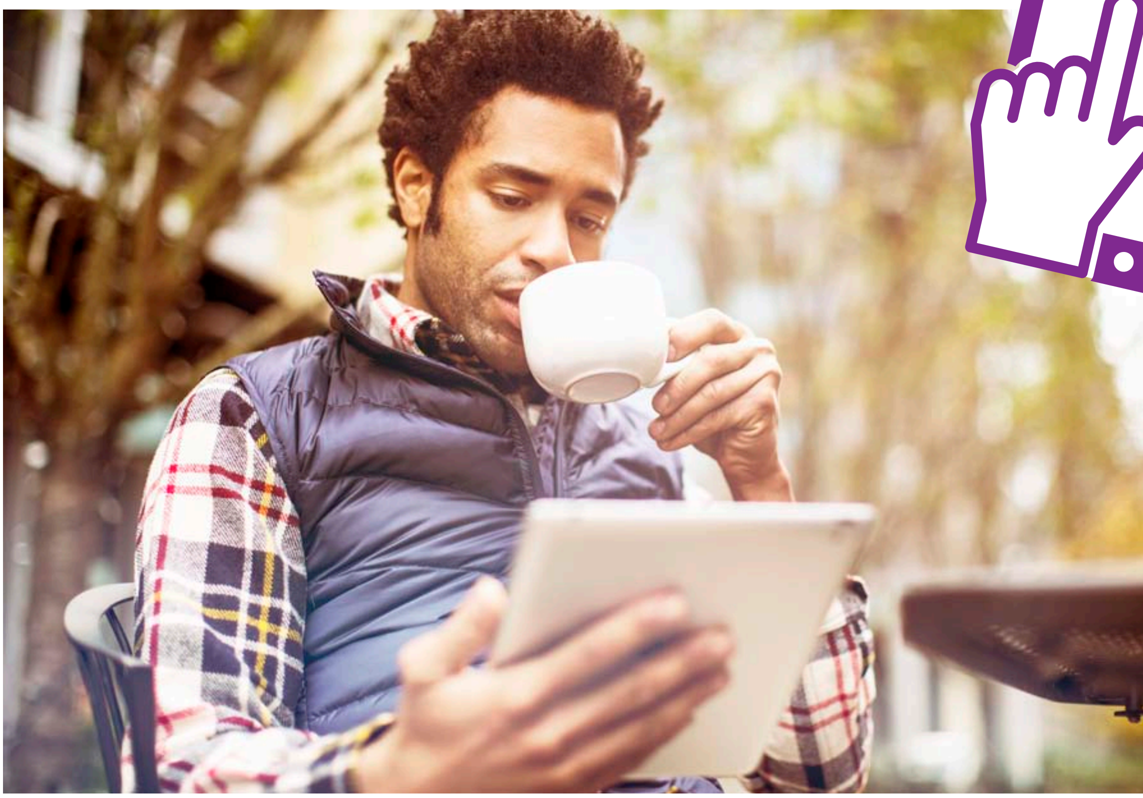
The primary reason is that consumers do not like being contacted by brands with which they have not registered (54% of UK consumers) – while 19% of German consumers also report that whenever they have shared this kind of information in the past they have been deluged with spam.

Q How comfortable are you to have the data that is used to provide you with a personalised experience (e.g. browsing behaviour on a website or previous purchase history) to be passed on to third parties or other brands?

Brands must Build Trust

It is, however, interesting to see that only 14% of German and 6% of UK consumers do not want to receive any more personalised offers from brands, reinforcing the generally positive sentiment towards relevant personalisation strategies.

When it comes to input on how brands can build trust, it's interesting to see that, when asked why they are comfortable sharing data with brands, nearly half, 45%, of respondents stated that they trust brands to store their data securely. This indicates that reinforcing security and privacy policies around data storage is a good message for brands to communicate clearly to their customers.



Key takeaway:

Brands that get the personalised experience right and respect each individual consumer's channel, messaging and data preferences, can build trust and embark upon a positive value exchange. Supporting this with positive messages about how they handle, store and control their customer data will also have a positive impact on building trust.

Mixed Messaging

Intriguingly, there are signs that consumer expectations are somewhat confused. On the one hand, data privacy concerns are prompting consumers to delete cookies routinely and limit the types of data they are prepared to share as outlined earlier. Savvy organisations need to look out for this activity and identify these consumers as extra cautious regarding data and approach them accordingly.

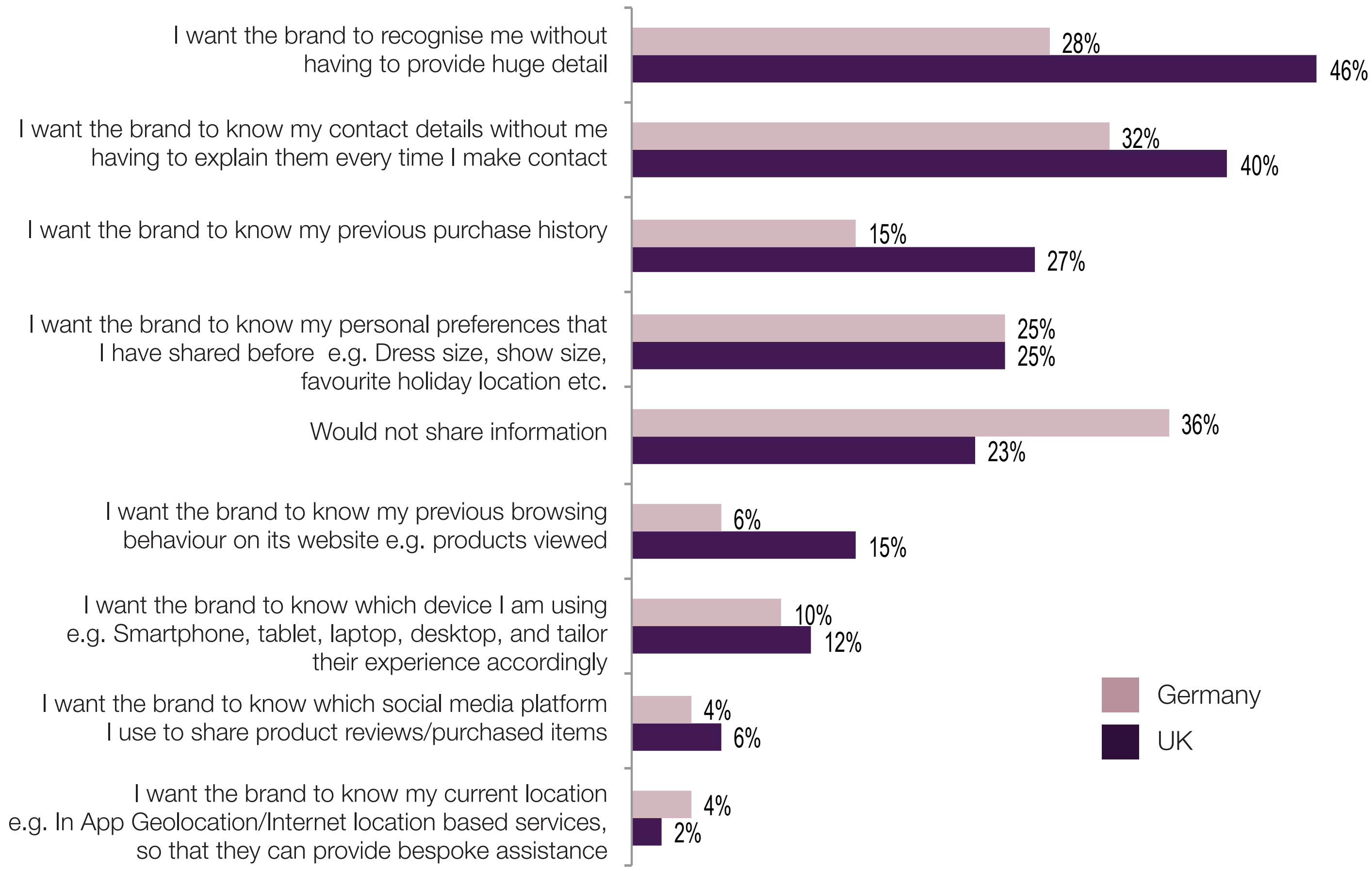
On the other hand, 37% of consumers expect to be recognised by brands without having to provide huge detail each time they interact with them.

Consumers want to be known:

- **36%** want a brand to know their contact details without having to explain every time they make contact.
- **25%** want the brand to know previously shared preferences, such as dress size or holiday location.
- **21%** want a brand to know previous purchase history

Mixed Messaging

Q Considering the list below, please select up to three reasons why you would share information with brands allowing them to personalise the interactions they have with you?



Key takeaway:

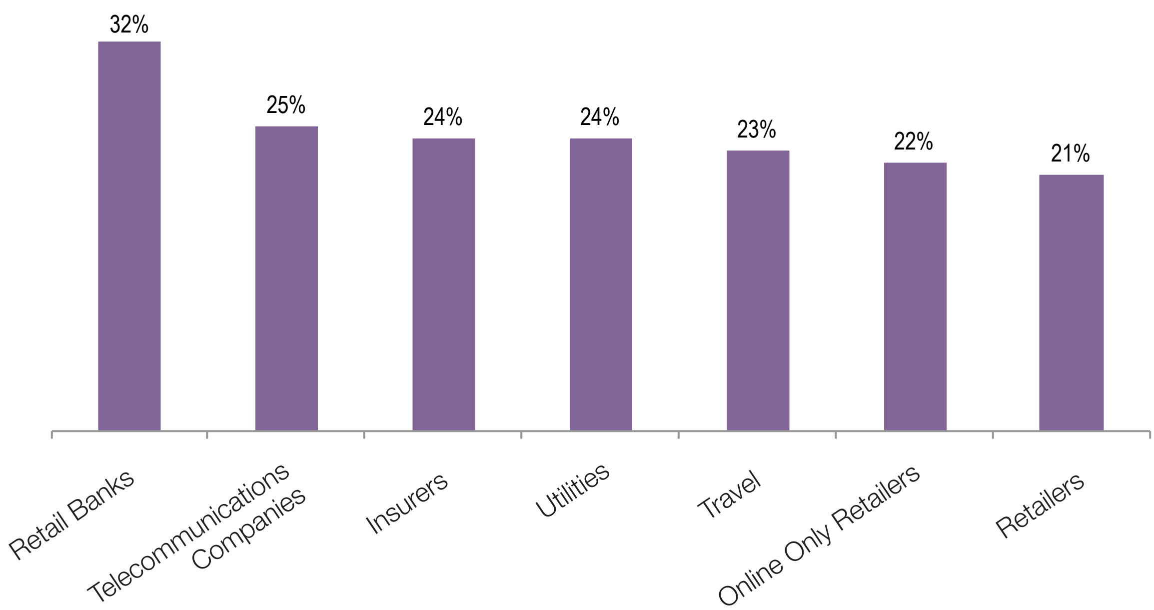
This situation is evolving quickly; in the equation between driving value from personalisation there is no one right answer for each brand, as the balance varies across individual customers. To build trust and deliver a personalised experience, brands need to tread a careful line between asking for information and delivering value – and the only way to do this successfully is to treat every customer as one single, coherent omni-channel individual.

Proving the Case - Who is Getting this Right and Wrong?

Based on this research the most trusted brands are retail banks – trusted by 32% of consumers; followed by telecommunications companies (25%). At the bottom of the list are retailers – trusted by just 21% of consumers.

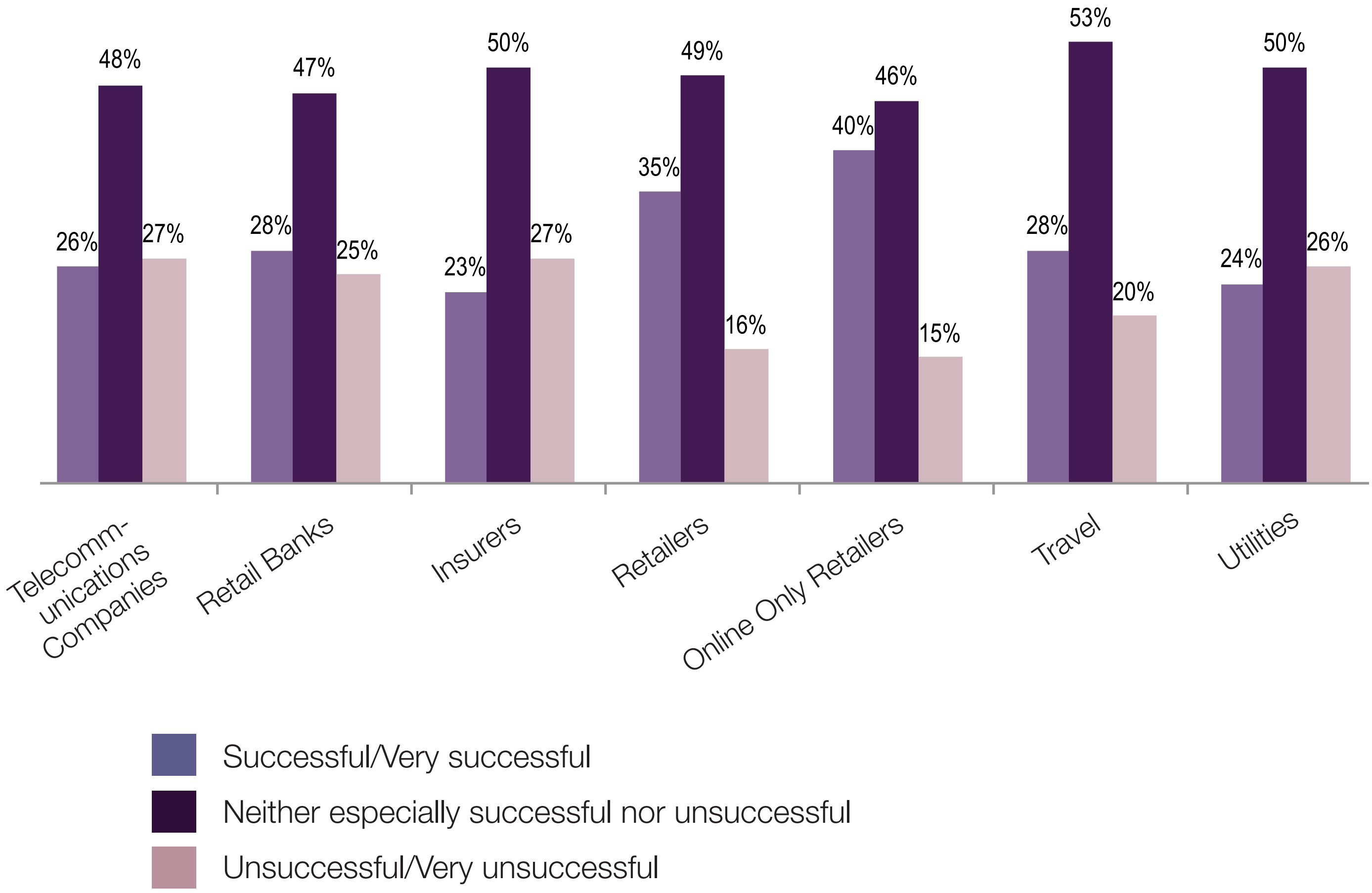
While consumers do not trust retailers with their data as much as they trust retail banks, interestingly they consider retailers and online retailers to be the most successful at listening to customers and using data (40% cite online retailers as opposed to just 23% of insurers). Could that be because communications from retailers are generally more exciting and engaging than those from retail banks...or is it, for many, that shopping is simply more fun than searching for financial services product?

Q In general, how much do you trust brands in the following industries to treat any personal information you might share with them confidentially and securely? – "I trust them to a fair extent" or "I trust them absolutely"



Proving the Case – Who is Getting this Right and Wrong?

Q **Based on your experiences so far, how successful do you feel the following types of companies are at listening to you as an individual consumer and using your data to provide a personalised experience?**



Key takeaway:

Consumer attitudes towards how different sectors deal with their data are shaped by a complex balance of trust and quality of engagement. These interesting dynamics merit further investigation to be truly comprehended, however the more each brand understands its customers in detail, the more they will be able to get this balance right.

Consumers want Control

In response to the increasing divergence in the quality of personalised experiences on offer, there are clear signs that consumers want to regain more control over the way they engage with brands.

- **Channel** – Around two thirds of consumers would prefer to receive promotional information about products and services via email; while one-third would like to get it through company websites. Other modes of communication cited were SMS (5%), social media (4%) and mobile push notifications (2%).
- **Data** – Consumers have data concerns: they routinely delete cookies, (nearly a quarter, 24%, stating they delete them weekly), and are reluctant to share data with third parties; they want to feel that data is secure and to have some control over the way it is used by brands.
- **Messages & Offers** – Consumers do not want to receive offers from third parties; but there are cultural differences in concerns: Germans do not want to be followed around the Internet; while UK consumers dislike spam.
- **Time** – Consumers increasingly dislike having to re-enter information; they expect brands to recognise and know them.

- **Preferences** – Consumers also like being able to express preferences, from the way messages and offers are presented to the provision of personal information like size or colour.

Key takeaway:

While consumer control is clearly important, there appears to be some confusion regarding the value exchange and where the balance between understanding consumers to deliver relevant and valuable communication and not being intrusive or annoying lies. Getting this equation right is a challenge: after all, how can brands deliver the personalised experience if consumers are concerned about sharing data?

Conclusion

The research clearly demonstrates that consumers want personalisation and they will respond positively to good experiences. Personalisation works, there is no doubting it – it drives up sales and improves customer engagement.

But the research also shows that many consumers still have data privacy concerns and will respond quickly and negatively to a bad experience – from unsubscribing to moving to a competitor. Using the very tools brands are leveraging to drive personalisation, disgruntled consumers will openly share poor experiences, therefore personalisation needs to be accurate and relevant. Bad personalisation, or any indication that a brand does not respect a consumer's data in some way, will damage both business and the customer relationship.

In essence:

- Brands need to build **trust**; they need to act sensitively with the information that consumers have shared.
- Consumers need to feel in **control** – and brands need to comply with customer preferences, from channel to messaging.
- There is **no 'one size fits all'** for personalisation – from country to age group, brand appeal to gender, organisations need to consider and test to make personalisation as effective as possible to reflect each individual's attitudes and behaviour.

Clearly brands need to have access to more than just standard customer behaviour information. To achieve really powerful, effective personalisation brands need data about each individual consumer's behaviours and preferences across all channels, devices and touchpoints. Then, by using this detailed data to deliver deep customer and insight and marketing technologies to power their multi-channel communications, brands can make every interaction with each and every customer relevant, delivered via their preferred channels and at the right time. This type of one-to-one personalisation is increasingly essential if companies are to provide consumers with the quality of personal experience they increasingly expect.

Key takeaway:

Personalisation is complex and challenging – but those brands that get it right through using the data and technologies available will deliver an experience that builds trust and achieves a measurably positive impact on both customers and business results.

Research Methodology

In November 2014 Teradata and Celebrus Technologies commissioned Redshift Research to undertake research into different attitudes towards personalisation and data privacy amongst consumers in the UK and Germany.

The survey itself was conducted among 2000 UK and German adults. The interviews were conducted online, using an email invitation and an online survey.

Quotas were set to ensure reliable and accurate representation of the total populations aged 18 and older. Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. In this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 2.2 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

The sample for both UK and Germany was selected from the Crowdology & Crowdology partner panels. Crowdology™ is an online panel owned and operated by Redshift Research. The Crowdology™ panel is balanced across regional, age and gender demographic factors, and is nationally representative of both populations. Each respondent completes 120 profiling questions before being accepted to join the panel. Panel Quality Management is carried out frequently to ensure reliable surveys.

About Teradata & Celebrus

About Teradata

Teradata helps companies get more value from data than any other company. Our big data analytic solutions, integrated marketing applications, and team of experts can help your company gain a sustainable competitive advantage with data. Teradata helps organizations leverage all of their data so they can know more about their customers and business and do more of what's really important. With more than 10,000 professionals in 43 countries, Teradata serves top companies across consumer goods, financial services, healthcare, automotive, communications, travel, hospitality, and more. A future-focused company, Teradata is recognized by media and industry analysts for technological excellence, sustainability, ethics, and business value.

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About Celebrus

Celebrus Technologies Limited, an IS Solutions company, enables organisations to understand their individual customers' interactions across their websites, mobile apps, streaming and social media. Celebrus' award winning tagging-free software feeds this data into a wide variety of big data technologies in real-time. Global blue chip clients use these solutions to power real-time personalisation, customer analytics and digital intelligence.

The individual-level nature of Celebrus' Digital Big Data enables organisations to create a multi-channel single view of each customer and deliver individualised omni-channel communications that increase customer engagement, enhance the customer experience and optimise business efficiencies.

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