



Managing the Paradox

By Michael Ojo, Ph.D.

Company leaders must consider a few key issues as they balance privacy concerns with the need for consumer data to provide a personalized customer experience.

As companies in the United States come to terms with their questionable methods of collecting and handling data, they are beginning to confront the paradox created around providing dynamic, personalized user experiences.

Many products and services that require an enormous river of consumer data are quickly being choked by social pressures, consumer behavior, and government regulations, all of which are a response to data privacy concerns.¹

In particular, global social networks such as Facebook have moved quickly to comply with the European Union's regulation around consumer data (General Data Protection Regulation or GDPR), which provides guidelines on the procurement and use of consumer data by companies operating in the EU or processing data from EU consumers (see article on page 14).

That said, can companies continue to provide the user experience—or more broadly, the customer experience—that made their brands unique?

For starters, the personalization/privacy paradox speaks to the contradictory behaviors exhibited by consumers around their desire for tailored services and their increased sensitivity to sharing personal data.

Ideally, as more data is made available and used by companies to tailor experiences, the expectation is for greater user adoption and positive satisfaction from the customer. However, if consumers' sensitivities around privacy are aroused, they are likely to limit or reduce the exposure of their personal data, thereby reducing adoption rates and exhibiting negative satisfaction.

Personalization

We define personalization as the ability to proactively tailor products and product purchasing experiences to the “tastes of individual consumers based upon their personal and preference information.”²

Personalization gives customers exactly what they want and need without being distracted by irrelevant materials. It requires the customer to share identifiable and behavioral information, like browsing history and location, information they would not otherwise want shared publicly.

Moreover, companies are financially incentivized to find the right level of personalization that appeals to a broader scope of customers than the individual. Therefore, collecting large amounts of data, allowing companies to infer behavioral patterns, becomes a driving force in the organization.



Privacy

In general terms, “privacy is the right to be left alone.”³ It includes the right to not have one’s identity engaged in third-party transaction. In a digital sense, it can mean the right to not have your personal data leveraged for business activities. This is especially challenging when most if not all aspects of daily life require an email address, phone number, and some other form of identifiable information.

Consumers profess that privacy is a valuable part of their user experience, but personal data continually flows to the internet, thereby creating a paradox. Eventually, this paradoxical behavior between personalization and privacy may cause customers to abandon the brand or service as a result of their frustration and confusion over how their data is being used.

A path forward

The common thread emerging from studying the personalization/privacy paradox is trust. Consumers are making important decisions about their data based on the assumption of trust in a business.

As more and more revelations about the mishandling and violation of consumer data come to light, the paradox will only become a bigger problem for businesses seeking to grow their brand and customers seeking a tailored user experience.

Now more than ever, companies need to find ways to reengage consumers and build lasting trust.

Be clear that you’re collecting data

What data are you collecting and how? Transparency is critical for cultivating trust among your customers. They need to know your organization is collecting data about them, and they need assurance that they can opt in or out at any time.

Furthermore, your customers need to be informed about the kinds of data being collected and the manner in which it is being collected. Doing so can empower them to make informed decisions around the treatment of their identity. This may also discourage a company from acting subversively about collecting data.

Be clear about your intentions

What are you going to do with the data? A strong argument could be made that most consumers don’t read the “terms and conditions agreement” before signing up for any online social or commerce platform. And for those very few who do read the terms agreement, there is a good chance it’s done without a complete understanding of the implications, resulting in blind acceptance of the service.

I have read and understand the [terms and conditions](#).



Companies owe it to customers who patronize their service to clearly explain how their data will be used. What that means is translating legal jargon in the terms agreement into brief statements or images that make it very obvious what will happen with customer data.

Be purposeful in delivery

What feature are you trying to deliver? So, now that customers know data is being collected from them and you've explained your company's intentions, how will you show your commitment to deliver? Your customers have shared their personal information and their digital identity under the condition that your brand or business will deliver on its promise.

Adhere to your commitment to customers and do not deviate from the plan. Use their data as intended. Be cautious about retaining data that does not support product delivery.

Implications for customer experience

Fostering a relationship of trust is not an easy feat. Given the climate of account hacking, data privacy regulation, and the expanding Internet of Things economy, there is no avoiding customer sensitivities on privacy.

That said, businesses cannot afford to dismiss customers' desire for personalized and tailored experiences. Doing so will leave any company trailing behind its competitors and out of favor with consumers.

Innovations in artificial intelligence and distributed ledger technologies, such as blockchain, could be the avenue for seriously managing the paradox. By designing infrastructures for smart computing and decentralized data management, consumers may grow to feel empowered and in control of their digital selves.

However, corporate leaders must make a concerted effort to build trust between the customer and the company. Customer experience is the culmination of interactions between a customer and product, brand, or organization.⁴

Therefore, the design and alignment of interactions into a robust customer journey must consider engagement opportunities that leave the customer feeling a sense of trust and accountability. Whatever new product or service is going to market, if leveraging customer data is key to providing personalized experiences, building a relationship of trust must be a part of that journey to manage the paradox. 👁

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Sources:

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3 J. Alberto Castañeda and Francisco J. Montoro, "The Effect of Internet General Privacy Concern on Customer Behavior," *Electronic Commerce Research* 7, no. 2 (2007): 3

4 Peter C. Verhoef et al., "Customer Experience Creation: Determinants, Dynamics and Management Strategies," *Journal of Retailing* 85, no. 1 (2009): 31-41, <https://doi.org/10.1016/j.jretai.2008.11.001>