

# Smart Data Is the Key to Building Trust With Consumers

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## The Value of Data Turns on Trust

Data is the currency of today's increasingly digital economy. Data reveals consumers' needs and desires and makes it easier for brands to more quickly respond with the appropriate message, offer, or product. When data is currency, it seems to follow that firms should collect as much of it as possible. And indeed, "maximum data" has become the accepted best practice. Firms are hoarding vast reservoirs of data, which is supposed to be treated as a so-called "corporate asset" from which marketers and others hope to draw actionable insights that produce better business outcomes.

But in practice, this maximum data approach has been crippled by a crisis of trust. Overwhelmed by massive amounts of data in complex and

disconnected systems or repositories, marketers cannot be confident they are getting appropriate and reliable insights. Even more problematic, consumers are increasingly suspicious and resentful about wide-scale data collection and use, especially when it provides them no obvious benefit in exchange. In short, the "more is better" approach to data tends to debase the value of the data itself. When marketers don't trust data to help them build better relationships with consumers, and consumers don't trust brands to do the right thing with the data they collect, then that prized corporate asset has turned into a liability.

The solution to the crisis of trust is not more (or less) data, but *smarter* data. Creating a unified data layer, in which diverse data sources are integrated and normalized, is an important first step that greatly benefits marketers. The critical next step is to use machine learning and artificial intelligence (AI) to produce better, faster, and more actionable insights and recommendations that allow marketers to genuinely help *individual consumers*

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complete a task, fulfill a desire, reach a goal – in short, to help them *improve their lives* in ways small or large. When that can be achieved consistently and reliably, it not only restores the trust of both marketers and consumers in the value of data, but also turns data into trust-based, mutually beneficial, long-term relationships between buyers and sellers – thus separating the winners from the losers in the digital economy.

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### **Marketers need actionable insights, not data**

Marketers are drowning in their data lakes. Econsultancy's 2015 global survey of digital marketers unsurprisingly found that 96% declared customer experience optimization a top priority. Yet 62% reported they “feel overwhelmed” by the sheer volume of data; 85% said they are “unable to extract full value from data sources”; and a meager 3% felt they have a “strong capability” for using cross-channel or cross-device data to power real-time personalization.<sup>1</sup>

The amount and diversity of data isn't the only barrier for marketers. They're also faced with complex data technologies that require specialized skill sets, making marketers dependent on the availability and attention of developers, data scientists, and other technicians. While other core customer experience software components,

such as web content management and customer relationship management, long ago provided “business user interfaces,” data platforms have yet to provide user-friendly tools.

Quite frankly, marketers don't need data. They need insights and recommended next best actions that are *reliable* – because they are informed by all of the relevant data, regardless of source or location – and *consumable* – because they can be derived and acted on immediately to assist a particular consumer. Instead, they're hampered by disconnected, incomplete data sets and vague generalizations that lump consumers into broad “look alike” segments. To properly serve marketers, data platforms need to shift from more and bigger data to *better, smarter, more consumable* data.

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### **Meanwhile, consumers have learned that resistance is not futile**

Doc Searls (a co-author of *The Cluetrain Manifesto*) has called the explosive adoption of ad-blockers “the biggest boycott in human history” – with some 600 million participants as of the middle of 2016.<sup>2</sup> And we now know that tracking, not the ads themselves, is the primary irritation for consumers.<sup>3</sup> According to Pew Research, 88% of Americans feel that it is important to avoid being watched without their permission, and 93% want to control who can get information about them.<sup>4</sup>

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Of course, most people do not take active steps to prevent or avoid the collection of their personal data. And yet, regulators are also stepping up restrictions on behalf of consumers. For example, the European Union's new General Data Protection Regulation (GDPR) places substantial limitations (backed up by massive fines) on the processing of the personal data of EU residents – regardless of where the processing company is located.<sup>5</sup> In the US, the Federal Communications Commission (FCC) recently banned unilateral collection of users' data by broadband providers.<sup>6</sup>

## Successful Firms Will Build Trust-Based Relationships

Will consumers and brands remain locked in this battle over data – the one increasingly concerned about protecting privacy, the other growing ever more dependent on the data drug to drive digital business? Not necessarily. There is a better way, and it can provide desirable results for all – brands, marketers, consumers, and regulators.

Consumers do not have fixed, binary attitudes about privacy and data protection. On the contrary, every decision about whether to share or withhold personal data is highly contextual. These decisions vary not only according to the situation (if a

consumer needs a piece of information or a service badly enough, they're more likely to provide data in exchange) but also according to the identity of the provider (and the consumer's perception of them). For example, research by the telco firm Orange found that 78% of European consumers said they don't trust how companies – note, *companies in general* – use their personal data.<sup>7</sup> And yet, 93% of Americans say that they value the ability to share information with a *trusted advisor*.<sup>8</sup> Obviously, the goal for every firm must be to become that trusted advisor – in which case consumers will gladly share the data that firms desire, precisely because of the value they receive in return.

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### How to become a trusted advisor

Firms are well aware of the need to instill trust in their use of consumer data. According to one study, 83% of surveyed executives agreed that “trust is the cornerstone of the digital economy.”<sup>9</sup> In the first instance, trust is aligned with data security – no one wants to risk credit card fraud or identity theft due to a data breach. In fact, Symantec recently found that 88% of European consumers regard data security as the *most important factor* when choosing to do business with a company; 86% said they consider it more important than product quality.<sup>10</sup>

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But security alone is not enough. Trust is a complex dynamic that includes predictability, reciprocity, and a transparent value exchange.<sup>11</sup> A trusted advisor is not just a company that keeps shared personal data secure, but one that reliably and consistently delivers a clear value to the consumer in exchange for that data.

In the emerging personal data economy, the battleground shifts from competing with other brands, to working to create and nurture the consumer's level of trust. Without trust, the features and benefits of your product matter little. With it, you earn a privileged place in any consideration set.

Beyond security concerns, trust is built and sustained when a brand demonstrates that it is a *reliable and relevant* assistant in helping consumers achieve their goals. Relevance means “pertinent to the matter at hand” and comes from older terms indicating “lightening or lessening the load.” Going forward, brands must “earn” the privilege of collecting and processing personal data. And they will do so by using data intelligently to provide relevant assistance to a consumer and lessen the burden of getting something done, and so establish themselves as the most reliable and trusted advisor.

## The Limits of Personalization – and the Promise of AI

Personalization – that is, shifting from generalized, one-size-fits-all websites and offers to content that is more appropriate and relevant for a given visitor – has been a top aspiration of marketers for nearly a decade. In the last couple of years, it's finally gaining momentum and coming online at selected firms.

However, what today passes for personalization typically amounts to “personification.” That is, personal data is collected about a customer or prospect in order to filter them into a segment of consumers with similar attributes – such as income, family status, sporting interests, etc. Business rules (e.g., “If visitor exhibits attributes x and z, show content associated with segment a”) then determine what content, offers, or experiences will be delivered to a given individual.

But note three limitations with this approach. First, the *personal* immediately dissolves back into a *persona* or segment, such as “30-to-50-year-old professional woman with two pre-teen children.” Second, such segmentation can never get beyond more or less accurate correlations. A given visitor seems to fit into this or that group, but that doesn't tell us *what* they need, *why* they want it, and *where* they are on the journey to acquiring it. Third, it's tempting to conclude that adding *more* data will sharpen the correlations – but, as noted above, those bigger data sets are likely to overwhelm and confuse marketing efforts.

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Beyond segment-based personalization, what marketers really need is data that gives them insight into what the individual is aiming to *achieve*, rather than what groups they (might) *belong* to. Data needs to first illuminate what the consumer is *trying to do*, and then direct the firm in *helping them to do it*.

The problem is that selecting precisely the right pieces of data from a vast and varied repository, and combining them with the speed and intelligence to produce actionable insights, is beyond the ability of the best data scientists, let alone that of marketers facing myriad real-time decisions.

However, an emerging class of AI-driven data platforms aims to solve this challenge by helping marketers navigate the vast sea of data, discover the pertinent inputs, and map the actions that will help the consumer reach their goal.

AI and machine learning applied to data grants marketers insights into what tasks the consumer is pursuing and where they are on the journey (and at an individual, one-to-one level). Smart data can help identify the hotspots or “micro-moments” in the journey where consumers are most likely to hesitate or struggle – and therefore are most appreciative of the appropriate, relevant assistance. Smart data shifts marketing from vague, deterministic *correlations* to goal-oriented *causation*.

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## What to Look for in a Smart Data Solution

While smart data technologies are still developing, several indispensable capabilities can be identified. These include the following:

- **A unified data layer.** Disconnected data repositories and disparate, incompatible data types can cripple marketers’ ability to identify and respond to consumer needs. Look for the ability to access, normalize, and unify data from numerous sources, including browsing and social behavior, previous interactions, and third-party data.
- **High-volume, high-velocity processing.** AI can plow through a mountain of data to find the relevant nuggets, turning large data sets from a burden into a bonanza for marketers.
- **Self-learning algorithms.** A smart data solution should not only move beyond correlation-based targeting to deliver truly personalized assistance with the consumer’s micro-moments and overall goals. It should also have the ability to evaluate its response and constantly improve its understanding of each consumer.
- **Marketing-centric interfaces and tools.** The intelligence of a smart data platform is of little value if marketers can’t use it without assistance from data specialists.

## Conclusion

Despite consumer resistance and stricter privacy regulations, the solution to the crisis of trust is not to retreat from data-driven marketing and customer engagement. In contrast, the answer is to use AI and machine learning to aid marketers in rapidly identifying the truly relevant inputs from large data sets and take actions that help individual consumers *get stuff done*.

This is *true* personalization – relevant, goal-oriented assistance with a task or goal of a *specific person*. With AI and machine learning, brands can move beyond broad segmentations and vague correlations, develop mutually beneficial relationships with consumers, and consistently prove themselves to be advisors worthy of consumers' trust and loyalty.

## Endnotes

- 1 Econsultancy's 2015 Customer Experience Optimization Report is based on a global survey of 613 digital marketers. It is available for a fee at <https://econsultancy.com/reports/customer-experience-optimization/>. Additional data from the survey is reported at <http://callminer.com/blog/5-must-read-research-reports-on-the-customer-experience-in-2015/>.
- 2 For a thorough analysis of the use of mobile ad blockers, see PageFair's March 2016 report at <https://pagefair.com/blog/2016/mobile-adblocking-report/>. Doc Searls' characterization of the "boycott" is in "Beyond Ad Blocking" at <https://blogs.harvard.edu/doc/2015/09/28/beyond-ad-blocking-the-biggest-boycott-in-human-history/>.
- 3 See Doc Searls, "The problem for people isn't advertising, and the problem for advertising isn't blocking. The problem for both is tracking." Available at <https://blogs.harvard.edu/doc/2016/10/21/the-problem-for-people-isnt-advertising-and-the-problem-for-advertising-isnt-blocking-the-problem-for-both-is-tracking/>.
- 4 The May 2015 Pew Research report on "Americans' Attitudes About Privacy, Security and Surveillance" is available at <http://www.pewinternet.org/2015/05/20/americans-attitudes-about-privacy-security-and-surveillance/>.
- 5 The European Union's General Data Protection Regulation applies to any company that processes the personal data of any resident of the EU. See the Digital Clarity Group report "The Meaning and Impact of the General Data Protection Regulation: Executive FAQ," available at <http://www.digitalclaritygroup.com/meaning-impact-general-data-protection-regulation/>.
- 6 In late October 2016 the FCC ruled that broadband providers must get opt-in consent to collect "sensitive" data, which includes "location, financial and health data, children's information, Social Security numbers, web browsing history, app usage, and content of communications." See <https://iapp.org/news/a/fcc-officially-approves-broadband-consumer-privacy-order/>.



- 7 See the February 2014 report, "The Future of Digital Trust," available at [www.orange.com/digitaltrust](http://www.orange.com/digitaltrust).
- 8 See the Pew Research report cited in note 4.
- 9 As reported by MIT Sloan. See <http://sloanreview.mit.edu/article/achieving-trust-through-data-ethics/>.
- 10 Symantec's "State of Privacy Report" is summarized at <http://www.computerweekly.com/news/450401248/Businesses-underprepared-for-GDPR-study-shows>.
- 11 See for example the detailed analysis of trust at [http://changingminds.org/explanations/trust/what\\_is\\_trust.htm](http://changingminds.org/explanations/trust/what_is_trust.htm).

# About Digital Clarity Group



Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint - those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies.

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