Introducing Forrester's Consumer Privacy Segmentation

Assessment: The Customer Trust And Privacy Playbook

by Fatemeh Khatibloo and Gina Fleming

December 14, 2016

Why Read This Report

As the privacy landscape evolves, consumers are more aware than ever that companies collect and use their personal data for marketing and advertising purposes. Customer insights (CI) professionals need to understand their customers' expectations and concerns in order to ensure that they're correctly applying contextual privacy practices. This report uses Forrester's Consumer Technographics research to define four consumer segments as well as their attitudes and behaviors relating to marketers' collection and use of personal data.

Key Takeaways

Five Key Attributes Determine Consumers' Perceptions Of Privacy

Our research shows that awareness of privacy practices, behaviors around safeguarding data, willingness to share personal information, level of trust in a firm's data practices, and overall tech-savviness define a customer's outlook on privacy.

Forrester's Consumer Privacy Segmentation Reveals Four Distinct Groups

Data-Savvy Digitals and Reckless Rebels are willing to share personal information with firms; Nervous Nellies and Skeptical Protectionists are not.

Future-Proof Your Firm's Consumer Trust Tactics With Our Segmentation

As traditional third-party data-brokerage models change and trust becomes a brand differentiator, understanding your customers' privacy segmentation will give you an advantage over the competition.

Introducing Forrester's Consumer Privacy Segmentation

Assessment: The Customer Trust And Privacy Playbook

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We used data from Forrester's Consumer Technographics® North American Online Benchmark Survey (Part 2), 2016, to develop the segmentation in this report.

Related Research Documents

Brief: Optimize Your Trust Formula

The New Privacy: It's All About Context

Thriving In A Post-Digital World

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Privacy Has A Perception Problem

It's tempting to talk about privacy in binaries: Privacy is alive or it's dead. People either care about privacy or they don't. While this makes for great sound bites from pundits and in the press, it's not the right way to think about such a complex and nuanced concept. Why? Because as individuals:

- **Our expectations of privacy aren't static across all our experiences or interactions.** Privacy is our right to control what others know about us. Even with this very broad and general definition, it's clear that our individual expectations of privacy will be very different depending on context.[1] For example, our closest work colleague and our closest relative necessarily know different things about us. Similarly, we *expect* our bank to understand our financial situation in order to help us make better investment decisions, even though our credit card issuer doing the same would be unnerving.
- **Our desire to share and connect with our social groups is highly fluid.** We frequently hear that "Millennials don't care about privacy — just look at everything they share on social media!" But this ignores the fact that Millennials actually manage their online identities quite aggressively.[2] While it may *appear* that they overshare online, they use privacy settings, ephemeral messaging, and browser plug-ins to control who sees what about them. This is exactly how most of us behave in the physical world: Our willingness to share personal information with specific people changes depending on our relationship with them.
- **Our motivations to share information about ourselves vary widely.** One of the better established definitions of privacy — "*the control we have over information about ourselves*" — is well-suited to the discussion of post-digital marketing and advertising.[3] The point is that people should be able to decide with whom they share their information and for what benefit. For example, a parent might choose to speak to her child's teacher about an impending divorce so that the teacher can help the child manage the experience, but she wouldn't want that information shared with other parents. Similarly, we might tell a great Sephora salesperson that we're unhappy about our wrinkles, but we'd be dismayed to see an online ad for anti-wrinkle cream popping up on our work computer screens!

Five Attributes Determine A Consumer's Privacy Segment

As individuals continue to be more connected and use more devices, they're generating an unprecedented amount of personal data — data that marketers and customer insights (CI) teams leverage to create better experiences and deepen customer relationships.[4] But firms need to understand their customers' privacy behaviors and attitudes to ensure that they're not jeopardizing customer trust.[5] Forrester has identified five attributes that matter most for understanding consumer perceptions of privacy (see Figure 1):

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1. **Privacy awareness.** A consumer's privacy awareness is the measure of how much she understands about data practices today, as well as how willing she is to do the work of reading privacy policies and permissions settings. Our research revealed that less than a third of US online adults read privacy policies before completing an online transaction or downloading an app, and less than half are aware that companies buy and sell information about their household.[6]

2. **Protective behaviors.** Consumers can take a variety of protective measures to help safeguard their privacy. These behaviors include the use of "Do Not Track" tools and ad-blocking browser plug-ins; protecting devices with a password or PIN code; or using multiple passwords across various internet accounts. The most protective consumers go further: 17% of US online adults purchase identity theft protection, and 21% encrypt the data on their devices to help keep their data secure.[7]

3. **Willingness to share information.** Not all individuals are averse to sharing their personal data with more companies. In fact, two-thirds of US online adults are willing to share *some* of their personal information in exchange for benefits, while only one-third can't be motivated to share any of it for any reason.[8] Those who are willing to trade are motivated by different things — from tangible rewards like cash back or loyalty points to softer benefits like convenience, more relevant messaging, or "exclusive" perks and VIP treatment.

4. **Level of trust and concern.** A firm's overall trustworthiness doesn't necessarily align with how much consumers trust that company to keep their information secure. For example, while Amazon.com and banks are among the *most* trusted firms, fewer than 40% of consumers trust these companies to keep their data safe.[9] In fact, the average US online adult trusts fewer than four types of firms to keep personal data safe; they cite being tracked online, seeing too many ads, and having their identity stolen as their primary concerns.[10]

5. **Tech-savviness.** We define tech-savviness by the role that technology plays in consumers' lives. The more consumers rely on technology and their devices, the more they have at risk from information sharing and poor data privacy practices. Just under half of US consumers agree that technology is important to them.[11] In today's multidevice world, being tech savvy means you generate a large amount of consumer data for companies to use.

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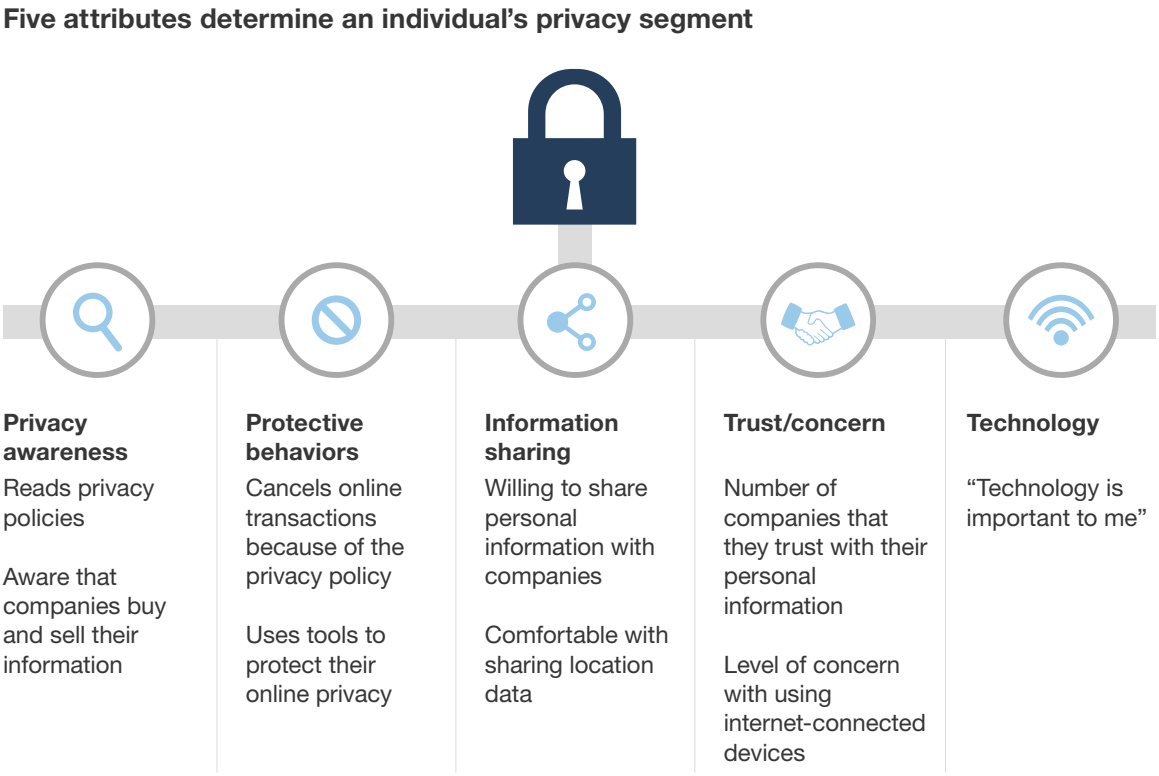
FIGURE 1 The Five Attributes That Determine Consumers' Privacy Segment



Meet Forrester's Consumer Privacy Segments

Our analysis of 30,000 US online adults based on these five attributes revealed that most individuals fall into one of four segments. Two of the segments are generally willing to share personal data, although their reasons for doing so are quite different. The other two segments simply can't be motivated to *knowingly* share their personal information with any companies (see Figure 2, see Figure 3, and see Figure 4).[12]

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FIGURE 2 Forrester's Consumer Privacy Segments: Who They Are

Segment descriptions:

Willing to share their information?

Data-Savvy Digitals are tech-savvy "digital natives." They are comfortable with the notion of a collaborative internet, where they use their data to "pay" for free content and services. But don't think they aren't privacy conscious: This group of young people will gladly use technology and sophisticated identity obfuscation tactics if they don't trust you — or how you're going to use their personal data. This group is also the most socially conscious: They expect firms to "give back" and consider themselves environmentally aware.

Yes

Reckless Rebels are disenfranchised and think they have nothing to lose. They share their personal data widely and take few or no precautions to protect their privacy. A significant number of them are college-aged, and they haven't faced the challenges of job hunting or credit seeking yet. Individuals in this group may change their reckless behavior as their life stage changes.

Nervous Nellies are the parents and grandparents who struggle to strike a balance between being connected and being safe. It's not that they don't want to protect their privacy, it's that they don't know how. They also think the consumer data ecosystem is far less huge than it really is.

Skeptical Protectionists are digitally savvy; they grew up and entered the workforce as the consumer internet was emerging. Unlike digital natives, people in this group are less trusting of online services, which means they take privacy seriously. In fact, more than half of them have canceled a transaction because of something they read in a privacy policy. This is a segment you can't afford to alienate.

No

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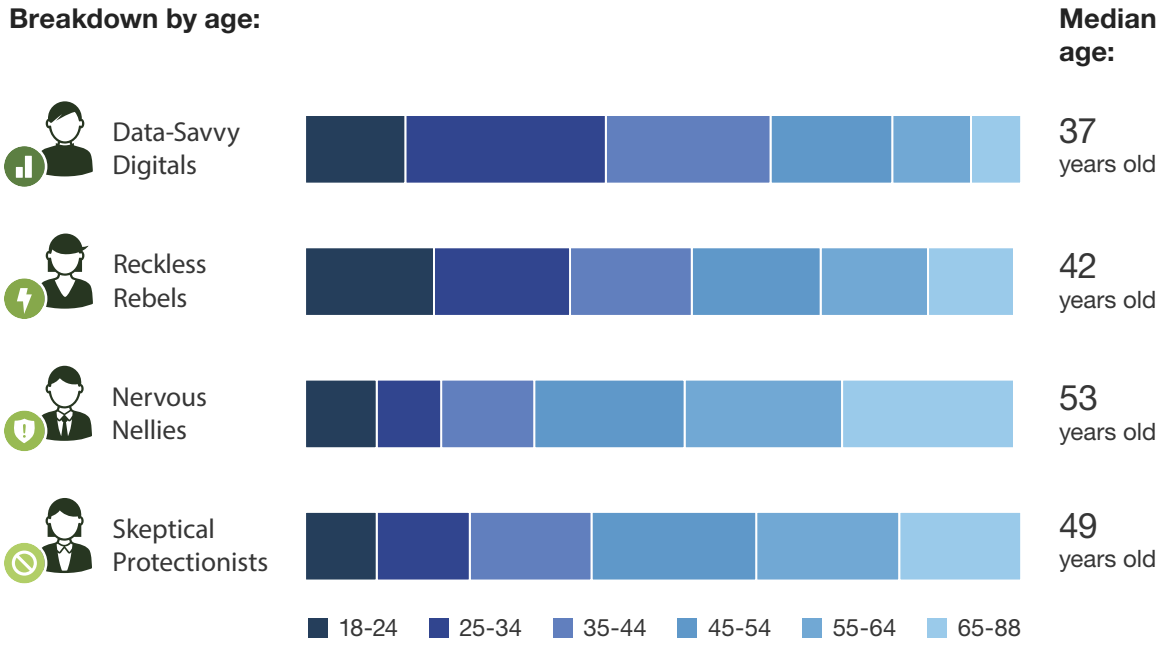
FIGURE 3 Forrester's Consumer Privacy Segments By Age



Base: 3,491 to 10,731 US online adults (18+) (base sizes vary by segment)
Source: Forrester's Consumer Technographics® North American Online Benchmark Survey (Part 2), 2016

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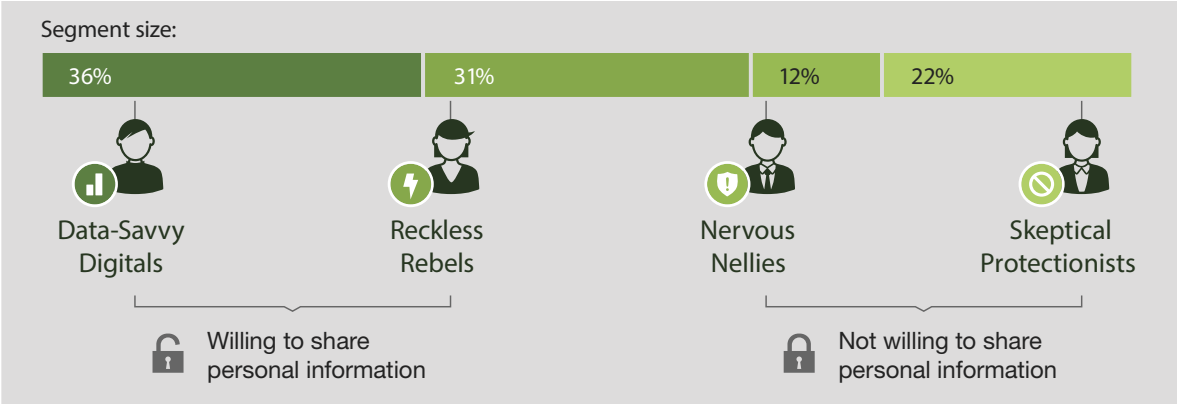
FIGURE 4 Forrester's Consumer Privacy Segments By Attitude



Usually reads privacy policies before completing an online transaction

Likely to cancel an online transaction because of the privacy policy

Aware that companies buy and sell their information

Comfortable with sharing their location with apps when it makes sense to do so

Average number of companies they trust with their personal information

6.0 **2.8** **1.4** **2.4**

Number of tools used to protect online privacy*

5.2 **3.2** **3.3** **4.5**

Technology is important

Base: 3,491 to 10,731 US online adults (18+) (base sizes vary by segment)
Source: Forrester's Consumer Technographics® North American Online Benchmark Survey (Part 1), 2016 and Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016
*For example, using a browser's "Do Not Track" settings or blocking browser extensions.

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Data-Savvy Digitals And Reckless Rebels Are Willing To Share Personal Data

Our analysis identified two segments of consumers who are willing to share their personal information with companies:

- **Data-Savvy Digitals.** Thirty-six percent of US online adults are Data-Savvy Digitals. These consumers are young, tech-savvy, and highly informed and consciously concerned about their privacy. They have the highest incomes, spend the most online, and skew male. They're also the segment most likely to have kids at home. They take the most measures to protect their privacy, using browser plug-ins, encrypting their data, and setting parental controls on devices that their children use. These individuals actually take the time to read privacy policies and are willing to cancel a transaction if they don't like what they see.

  Data-Savvy Digitals are wise to practices like online tracking but are OK with this as long as they get a benefit in return.[13] They're also willing to share their data when it makes life easier for them — for example, they'll share their location in return for offers based on the places they've been or the things they've looked at in a store. They're more motivated by rewards that make them feel "exclusive" than any other group, but they're also the most socially conscious: They expect companies to "give back," and they support eco-friendly businesses.

- **Reckless Rebels.** Reckless Rebels are the second-youngest segment after Data-Savvy Digitals and make up 31% of US online adults. This segment has the largest share of consumers ages 18 to 24, and they skew female. They take the fewest measures to protect their privacy, and many say they don't *intend* to take precautions like using online cookie trackers or data encryption. Many Reckless Rebels simply don't think they have anything to lose — they are the segment least likely to be parents and to have ever been married.

  While Reckless Rebels are willing to share their personal information with companies, their cavalier attitudes toward data protection leave them open to risks like identity or credit theft. As they suffer these consequences — or as their life stage changes — we expect to see these individuals migrate into other segments that are more proactive about protecting their digital data.

Nervous Nellies And Skeptical Protectionist Won't Knowingly Share Personal Data

We also identified two segments of consumers who are not willing to share their personal information with companies:

- **Nervous Nellies.** You have to feel sorry for the 12% of the US online adults who are Nervous Nellies; they're concerned about their privacy in our post-digital world but simply don't know what to do to protect themselves. This is the oldest and least tech-savvy segment: 30% of them are retired, and they have the lowest household income of all the segments. They are relatively uninformed about how companies use their information and what personal details are being shared with companies, but they are still very concerned about their privacy.[14]

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Nervous Nellies say they're not willing to share their personal information with any companies, but only 5% of them read a privacy policy before completing an online transaction or downloading an app. Not only are they the least likely to use privacy protection tools like "Do Not Track," data encryption, or device autolock, they are also the least likely to be aware of what these tools actually are. In other words, because they *think* they're not sharing their personal data with you, they're likely to be incensed if they discover that you've used their data in a way they don't expect.

› **Skeptical Protectionists.** Twenty-two percent of US online adults are Skeptical Protectionists. They have the largest share of Gen Xers (those ages 37 to 50) of any segment, and they have an even split of men and women. They are very informed and concerned about their privacy, and nothing will motivate them to share their personal information. They are highly skeptical that companies — especially social networks and media firms — will keep their information secure.

Skeptical Protectionists take some measures to protect their privacy but not as many as Data-Savvy Digitals. Of all the segments, Skeptical Protectionists are most concerned about the risks related to going online, such as their identity being stolen, their data being permanently recorded and accessible to anyone, or having their information shared with other companies. More than half agree that they are likely to cancel an online transaction if they read something they don't like in the privacy policy.

Recommendations

Post-Digital Marketers: Study Your Customers' Privacy Segmentation

There's no question that privacy and personal data practices are at a tipping point. Within the next five years, the traditional models of third-party data brokerage will be upended, and consumers will move their business to the brands that prove their trustworthiness.[15] Depending on the tendencies of your customers, those changes may already be happening. CI professionals can and should future-proof their firm's technology and marketing practices by understanding which segments their customers fall into as well as how these segments might affect other aspects of their personality.[16] For example:

› **Parenthood turns Millennials into Data-Savvy Digitals.** Among Gen Yers (those ages 28 to 36), those who are parents are much more likely to be Data-Savvy Digitals than those without children: 64% of Gen Y parents of children under 18 are Data-Savvy Digitals, compared with just 37% of Gen Yers who aren't parents. And just 22% of Gen Y parents are Reckless Rebels, compared with 35% of their peers without kids. This suggests that having children encourages consumers to be more careful and savvy about protecting their privacy.

› **The most savvy customers are also the most willing to opt out of marketing.** More than half of those consumers who have changed their email preferences in the past year are Data-Savvy Digitals, far more than any other segment. Similarly, 42% of those who have unsubscribed from a

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promotional email or newsletter are Data-Savvy Digitals. Trust and relevance matter most to these valuable consumers. To best serve this segment, leverage preference management and give these customers meaningful choices about how you use their data and how you communicate with them.

› **Location-based targeting is highly controversial.** Even for Data-Savvy Digitals, location-based marketing is a tough sell: Only 22% say it's OK for retailers to target them based on where they've been. And 66% of Nervous Nellies and 77% of Skeptical Protectionists also see it as unacceptable and a deal breaker. To protect your trust with these customers, offer them explicit opt-ins for location-based marketing, explain the benefits, and make those benefits relevant and valuable. At the very least, be judicious with your use of location; if a customer doesn't respond or reacts negatively, consider putting them in a suppression panel.

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Supplemental Material

Survey Methodology

Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016, was fielded in March and April 2016. This online survey included 30,000 respondents in the US and 3,150 respondents in Canada between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 0.6% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed and plus or minus 1.8% of what they would be if the entire population of Canadian online adults had been surveyed.

Forrester weighted the data by age, gender, income, region, and broadband adoption to demographically represent the US and Canadian online adult populations. The survey sample size, when weighted, was 29,899 in the US and 3,131 in Canada. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Lightspeed GMI fielded this survey on behalf of Forrester. Survey respondent incentives include points redeemable for gift certificates.

In addition to sampling error, one should bear in mind that the practical difficulties in conducting surveys can introduce error or bias into the finding of opinion polls. Other possible sources of error in polls are probably more serious than theoretical calculations of sampling error. These other potential sources of error include question wording, question ordering, and nonresponse. As with all survey research, it is impossible to quantify the errors that may result from these factors without an experimental control group, so we strongly caution against using the words "margin of error" in reporting any survey data.

These statements conform to the principles of disclosure of the National Council on Public Polls.

You can find more information about the data on the Survey & Data page online. From this page, you will be able to download the survey instrument.

Endnotes

[1] Forrester believes that privacy has been redefined for the digital era and that firms should follow a business process it calls contextual privacy. See the Forrester report "The New Privacy: It's All About Context."

[2] Millennials (those ages 18 to 36) are the generation most likely to use identity-masking tools online: 13% report that they do, compared with just 7% of US online adults ages 37 or older. Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[3] As early as 1968, Harvard law professor and jurist Charles Fried warned about "intrusions of increasingly sophisticated scientific devices into previously untouched areas, and the burgeoning claims of private and public agencies to personal information." In his 1968 paper "Privacy," he argued that, "Privacy is not simply an absence of information about us in the minds of others; rather it is the control we have over information about ourselves." Source: Charles Fried, "Privacy," The Yale Law Journal Vol. 77, No. 3, pp. 475-493, January 1968.

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[4] It's estimated that at least 2.5 quintillion bytes of data are produced every day, and that number is constantly growing. Source: Daniel Price, "Surprising Facts and Stats About The Big Data Industry," CloudTweaks, March 17, 2015 (http://cloudtweaks.com/2015/03/surprising-facts-and-stats-about-the-big-data-industry/).

[5] Trust is one of the top brand attributes that empowered customers care about, but in today's always-on, post-digital world, consumers are skeptical of even their favorite brands. Marketers' old methods of building trust simply don't work anymore. See the Forrester report "The Mechanics Of Trust."

[6] Our findings are echoed in a recent experiment that researchers at York University conducted to see how many people actually read privacy policies. By asking participants for their feedback on a fictitious social networking site, they actually set out to see what people would agree to in a privacy policy to access the site. They found out that most participants unknowingly agreed to share their information with the National Security Agency and to also give up their first-born child to access the fictitious social networking site. Source: Shankar Vedantam, "Do You Read Terms Of Service Contracts? Not Many Do, Research Shows," NPR, August 23, 2016 (http://www.npr.org/2016/08/23/491024846/do-you-read-terms-of-service-contracts-not-many-do-research-shows).

Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 1), 2016 and Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[7] Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[8] Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[9] Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[10] Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[11] Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 1), 2016.

[12] Segment percentages do not total 100 because of rounding.

[13] Many types of benefits motivate them to share their information, such as cash rewards, loyalty points, and the ability to review and edit their shared personal information.

[14] For example, just 29% are aware that companies buy and sell information about them. Source: Forrester's Consumer Technographics North American Online Benchmark Survey (Part 2), 2016.

[15] Firms are either building, maintaining, or losing trust at all times, even if they don't use trust as a competitive differentiator. Lost trust can translate to rapid customer abandonment, making off days potentially catastrophic for firms. See the Forrester report "Brief: Optimize Your Trust Formula."

[16] Traditional marketers fear that data destroys the creativity of marketing, while data scientists are blind to the fact that data doesn't tell a complete story. And most marketers start their planning by asking "How can I build a [fill in the blank] campaign to target a specific audience?" rather than "How can I get a particular customer what she needs?" The better approach combines an insights-driven understanding with a human element. See the Forrester report "Thriving In A Post-Digital World."

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