

# Forrester: Consumers Want Value

A survey by the technology research company found consumers are willing to share information if they get value in return, but many companies are afraid to ask personal questions.

Jan. 6, 2004—Forrester Research, a technology research firm based in Cambridge, Mass., has conducted an extensive survey to learn how consumers and companies view privacy issues surrounding technologies such as RFID that connect objects to the Internet. The survey revealed that consumers are willing to provide information about themselves when they perceive they are getting value in return. But many companies say they are reluctant to ask personal questions for fear of alienating customers.

These findings are contained in a new report, "The X Internet and Consumer Privacy," which is available only to Forrester clients. Forrester coined the term X Internet to cover extended Internet technologies—basically, technologies that connect IT systems to physical objects via the Internet. Christine Overby, a senior analyst on Forrester's consumer markets research team, initiated the survey and wrote the report because she felt the debate over privacy was being oversimplified by the media.

"We've been researching the topic of privacy as it relates to technology for years," says Overby. "What we have found time and again is that people are receptive to revealing even personal information if they get some value out of it. Knowing that, we launched a survey in September to ask consumers, For what type of value would you be willing to give up personal information, such as your identity, location, and condition at a given point in time? That's the type of information that RFID and other X-internet technologies, such as GPS, can tell you."

The survey of 4,061 consumers in the United States revealed that most people would share basic data if it saves them time or money. Slightly more than half of respondents said they would give their location in return for discounts on nearby products when they are shopping. However, they are reluctant to share intimate information unless there is a lot to gain. For example, less than a quarter of respondents said they would share their TV-watching history in return for program recommendations.

Overby and her team also interviewed executives from 99 companies, including European retailer Metro Group, video recorder service provider TiVo and U.K. retailer WHSmith. They found that companies recognized the value of having better data on their customers. Nearly 60 percent of the companies said that in-depth data would "greatly improve customer service." They said it would also improve marketing and demand forecasting.

But companies said they were reluctant to collect personal information about their customers. Less than 20 percent of the companies surveyed said they collect in-depth data on their consumer's condition at given points in time. The main reason cited was fear of invading their privacy (47 percent). Second was the cost of collecting the data (45 percent).

"Early adopters [of X Internet technologies] are not collecting reams of data," says Overby. "That is really costly to do. They are choosing the specific slivers of information that help them to provide better products and services, and that will convince consumers that they are using the data in the proper way."

She says there has to be a fairly direct correlation between the information companies ask for and the type of value they provide. "By the very nature of that exchange, companies cannot, should not and do not ask for data to create an expansive profile of the consumer," she says.

Forrester is advising clients to understand what data they can collect within the confines of the law and what data their consumers are prepared to share, and to then adopt a code of conduct and be very transparent about it. Customers should know what data is being collected and how it will be used. Information has to be communicated to consumers proactively so that they know that they may have to take action to kill or remove a tag. Overby points to Marks & Spencer for its skillful handling of the privacy issue during a trial that involved tagging clothing (see [U.K. Trial Addresses Privacy Issue](#)).

"Companies need to get realistic about the type of information they are able to collect and understand the value exchange that they'll have with consumers," she says. "That allows them to figure out the right questions to ask consumers, and it helps them control the cost of managing the data on the back end."

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