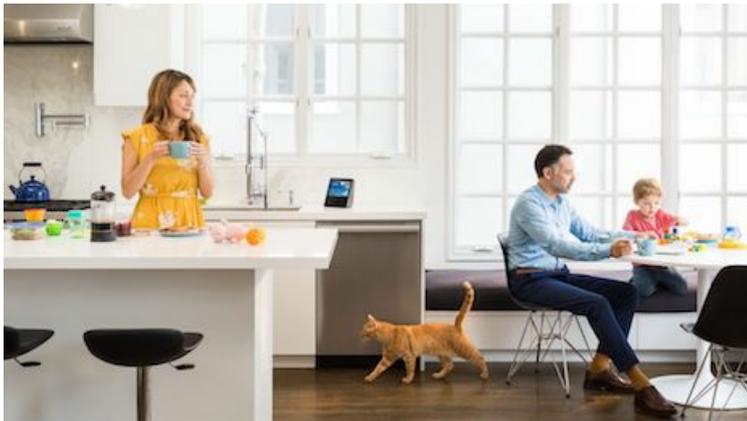


LEGAL AND PRIVACY

## Privacy evolving into a personal luxury good

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By 2022, households will have an average of 50 connected devices. Image courtesy of Amazon

By SARAH JONES

NEW YORK Growth in data availability has opened up doors for marketing and is driving economic growth, but the tradeoff has been the individual's loss of control over their own information, according to an executive from Identity Praxis.

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As the number of connected devices and smart technology the typical consumer owns grows, so does their ability to be tracked, leading to big business for big data. During the "You Heard It Here First: Personal Data is the New Luxury Good" keynote at Luxury FirstLook 2018: Exclusivity Redefined on Jan. 17, the executive predicted that in the future, privacy will be afforded only by the affluent class, turning it into a luxury.

"Privacy will be the new luxury good," said Michael Becker, managing partner of [Identity Praxis](#).

"Those people that have the economic, educational backgrounds and capabilities to actually take control of their information will have the ability to have privacy," he said. "Those that will not will continue to be the fuel of modern society."

*Luxury FirstLook 2018: Exclusivity Redefined was produced by Luxury Daily*

### Data drivers

Today, the average individual has three to six connected devices. This is set to grow to 10 by 2020, and the typical household in 2022 will have a total of 50 connected products.

In many cases, products and services used by consumers, such as Google Maps, are constantly collecting information. Beyond individual points, data gives a picture of who someone is, from their career to their lifestyle.

By 2024, each individual's data will be worth \$100 to industry. Today, there are about 4,000 data brokers working to trade in information.

Together, connected devices, services and data are expected to drive \$19 trillion in economic growth around the world over the next decade, according to projections from Cisco.

Data has become a key driver of business. Mr. Becker argued that Amazon is in the data collection business rather than the retail trade, while about 84 percent of the market value of Fortune 500 companies comes from intangible assets such as data.

When Caesars Entertainment went bankrupt, for instance, its loyalty program data was the highest valued asset at \$1 billion.

For marketing, access to connectivity has opened doors to learn more about the customer. Stores have been able to input sensors in the floors or to track dwell time or have installed facial recognition in their lights to measure customers' emotions.

Smart mirrors in the fitting rooms also allow for greater knowledge about customer interaction with products, while Amazon Go paints a future of the connected store in which checkout is replaced by digital customer identification.



*Interactive mirrors are being used in fitting rooms to collect data. Image credit: Oak Labs*

Data is often the determinant of winners and losers. For luxury brands and retailers, ensuring an online advertisement is seen by the right target audience is difficult to gauge and has led to lackluster ROI and wasted ad spend.

The current retail environment sees consumers demanding seamless service that is both relevant and consistent across all devices, channels and through each step in the path to purchase. This environment has proved beneficial for online giants such as Amazon and China's Alibaba, who have had a head start in leveraging data solutions to better serve consumers' near-instant expectations ([see story](#)).

Mr. Becker said that many companies are being "cautiously reckless" with data, not diving in far enough.

While consumers' data is fueling society and commerce, individuals have no control over how their data is collected and shared.

A prime example is the Equifax breach, in which data on as many as 143 million U.S. consumers was taken by hackers. Equifax trades in data, but no consumers included in its system chose to do business with the company.

Data can also be used against consumers, as information from fitness trackers has become admissible evidence in court.

Consumers are becoming more skeptical of data collection and use, with 65 percent of customers saying they do not trust that their data is secure. Additionally, one-third of consumers have ceased a financial transaction due to security concerns.

Additionally, 85 percent of consumers have taken steps to mask their digital trail.

"By 2020 this new industry is upon us," Mr. Becker said. "As you start thinking about going forward, this is not just a technological problem the technology is actually pretty straightforward.

"This is not just an economic problem what are the business models and how do we do it. Nor is it simply a legal problem," he said. "It also is a moral and cultural problem. And we have to look at this and bring this into our businesses from all four lenses if we're going to be successful."

Pulling back

As consumers seek greater privacy, questions of how to balance connectivity and individual rights come into play.

The European Union is preparing to enact the General Data Protection Regulation this year, which will have profound impacts on the way brands and advertisers collect and use consumer data.

Under the new regulation, consumers will have the power to opt out of data collection and have more power over how their data is used. But rather than seeing this as a burden, brands should embrace the renewed sense of power and independence that the regulation is intended to give to consumers ([see story](#)).

There is also debate about how consumers should be compensated for their information. For instance, if connected cars are capturing and selling information, some feel as though these vehicles should be free.



*BMW 5 Series also has a variety of connected mobility services. Image credit: BMW*

One woman took it into her own hands, incorporating herself and charging for her information. This is a hint at what is likely to come as the personal information economy sees consumers being able to handle the movement of their own information, using it as an economic asset.

Mr. Becker also sees an opportunity for luxury brands to take on data management as a service, offering affluent individuals the ability to protect themselves against unwanted data dissemination.

"Decide what type of society you want," Mr. Becker said. "Don Peppers wrote a book...called *Extreme Trust*, in which he said everything else is a commoditythe only value you have in your business today is trust. And you'll either be in an industry of trust and relationship building with the ability of bidirectionally exchanging value with the individual on the individual's terms or you're going to be one of them.

"That will truly be the differentiator between the luxury good and the non-luxury good."

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