

MARKETING

B2C to Me2B: Convergence of privacy and personalization

July 17, 2019



Milton Pedraza is founder/CEO of the Luxury Institute

By **Milton Pedraza**

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Consumers and goods and services brands have now been persuaded by digital ad platforms that privacy and personalization are mutually exclusive.

The operating assumption is that individuals need to compromise their data and their privacy to get "free" services and personalization. That is a false choice.

2B or not to be

The reality is that the Big Tech ecosystem is only the first chapter in the life of the Internet. The existing model has too many downsides to remain viable.

Emerging forces are converging to decentralize the Internet, freeing it up from its dependency on tech giants. These forces are not visible to the naked eye today.

When they converge, they will reverse the current business-to-consumer (B2C) model, and will empower consumers and legitimate goods and services sellers to evolve into mutually beneficial Me2B (me-to-business) business relationships.

Digitizing the traditional advertising model has precipitated some harmful effects.

Google and Facebook today are the poster children for exponential Big Tech growth and profitability.

However, in 2019, history is reaching a point where citizens, politicians and a growing chorus of business and legal experts denounce these companies and their peers as dangerous monopolies.

Unfortunately, for legitimate goods and services sellers, the anger inspired by Google and Facebook damages all brands that are part of their ecosystem.

Sellers that buy digital ads bear the ultimate cost, including the rampant waste of marketing budgets driven by a combination of fraud, fake metrics, growing ad blocking, low single-digit response rates and unsustainable customer acquisition costs.

The biggest cost is the loss of consumer trust that destroys long-term relationships.

There is a truism about digital trends. By the time you can measure a trend, it is probably late.

Below are several emerging digital forces. Some are apparent, and some are barely sprouting.

When they converge, they are likely to drive a new business model of the Internet that reverses the seller/buyer relationship from B2C to Me2B and puts consumers in charge over the next decades.

Privacy regulation will increasingly protect consumers

The European Union is leading in privacy protection. It requires companies to inform data subjects as to what, how and why their data is processed.

Personal data can only be collected for legitimate business purposes. The data must be encrypted and companies must prove compliance.

California has followed Europe's lead.

Now the federal government is getting into the act.

There are efforts to develop voluntary compliance standards such as the Me2B Alliance and Fair Trade Data efforts, akin to Fair Trade Coffee and Diamonds.

Legislation is only one solution. Beyond laws, there are much bigger win-win-win digital opportunities ahead for sellers, buyers and platforms.

Consumers will own and control their personal data

Through GDPR, the Europeans have designed a working definition of personal data. As with all legal definitions, there are gray, but workable, areas.

The United States has strong medical data legislation. Other data, such as financial data, are easier to define and own.

The Internet of Things will make collecting an individual's daily granular data ubiquitous. However, Siri and Alexa will not own that data.

The global trend is overwhelmingly towards data as property, and data as an asset. Some even insist that personal data is a human right.

Stanford Business School professors Charles Jones and Christopher Tonetti recently conducted a study that showed that when companies own consumer data they hoard it, and fail to respect privacy, damaging economies and societies.

In sharp contrast, when consumers own the data, they achieve more than just privacy. Because they care deeply about benefits and economic well being, consumers are eager to exchange, sell, donate and share their data or its insights with legitimate entities, and in much higher quality, quantity and relevancy than marketers can collect.

Brands are realizing that they have the potential to access better data or its insights easier, faster and cheaper, if consumers own it.

Innovative luxury goods and services brands, because they often lead trends and serve the affluent, will step up to confirm that their clients own their individual data in the company's database, and are free to review, edit or add more to receive truly personal communications and customized offers and build honest relationships without worrying that they will be compromised.

This will trigger a trend of sharing data and insights ethically between businesses and consumers that benefits all of society.

Fiduciary platforms will emerge to steward individual consumer data

To own and control their data, consumers need a personal database.

Data must be organized, structured and encrypted. There must be standards and protocols to enable the seamless analysis, sharing, exchanging, selling and donation of personal data and/or insights. This will trigger a massive new ecosystem of fiduciary data services.

Many entrepreneurs are already working on this opportunity.

The most prominent effort comes from MIT professor Sir Tim Berners Lee, who created the World Wide Web, and founded Solid (Social Linked Data), a Web decentralization project based on current Internet standards.

Sir Tim recently left MIT and co-founded Inrupt to create services for the new Internet.

Another MIT-related project is Elastos, which is based on blockchain.

In the new model of the Internet, a vast new industry of fiduciary data intermediary services will emerge through which consumers will manage their data easily and connect through applications and APIs with goods and services providers for mutual benefit. This is a concept that top consultant, John Hagel, envisioned two decades ago in his book "Net Worth."

The new data fiduciaries will compete to serve only one purpose: maximize the best interests of their individual clients.

Personal AI will dramatically enhance consumers' lives

Big Data has been the trend for the last decade. It has been collected and monopolized by Facebook, Google, Amazon and others, and mined for huge profits.

In the decentralized Internet, the customer will no longer be the product.

As individuals aggregate their medical, financial, travel, location, calendar, purchase and other critical data in one secure personal database, they will have unprecedented, and continuously updated, vertical, horizontal and 360-degree insightful views of their lives.

The most trusted data fiduciaries will scale rapidly, and will have access to the aggregated and anonymized data of millions of their clients. They will apply ethical artificial intelligence (AI) to generate individual as well as cohort group insights and recommendations that will help people to improve their health, wealth, behavior and habits.

Consumers will signal their purchasing intentions to trusted brands

One day there will be schools and streets named after David "Doc" Searls.

For decades, he has been an unrelenting champion for the digital rights of individuals.

Mr. Searls co-wrote "The Cluetrain Manifesto" in 1999 and wrote the book, "The Intention Economy: When Customers Take Charge," in 2012. The book's key premise is that in the emerging decentralized Internet, when consumers control their data, they will eagerly choose to signal their buying intentions to trusted brands, and will negotiate in good faith, in a symmetrical relationship, with sellers.

Buyers will issue the equivalent of a Request for Proposal to trusted goods and services providers, especially selected by them or with AI, in real time, by their trusted fiduciaries.

Consumers will allow access to their data or insights in exchange for genuinely personalized messages, rewards and offers.

Instead of only marketers targeting buyers, buyers will directly target marketers when they are ready to shop or buy.

The new Intention Economy will lower supply chain, marketing, selling, returns and other costs.

Instead of search as the basis of commerce, the new economy will be based on ethical, intentional matching.

This new model does not eliminate the need for great brand awareness campaigns across all media, and brands will still need many types of ethical, innovative marketing and selling efforts to inspire demand.

Trusted expert advisors will help consumers achieve high-performance lives

The wealthy have always had the resources to access trusted expert advisors. They hire wealth advisors, lawyers, concierge doctors, estate managers and personal stylists.

Messrs. Hagel and Searls believe that with the ability to own their personal data, affluent, middle class and mass consumers will be able to afford trusted expert advisors to optimize the myriad of choices and make smart decisions in many areas of their lives.

Trusted experts will emerge in categories such as health care, financial services, wellness, fitness, education,

careers, travel, fashion, lifestyle and many other critical areas of a complex life where time truly is the ultimate luxury for all people.

Trusted expert advisors will be certified in their domain of expertise and in emotional intelligence skills.

Enhanced by AI, and with deep knowledge of their clients as human beings, they will understand their true intentions, anticipate their needs and introduce them to new opportunities. They will also challenge their clients' intentions to help them optimize their personal and professional lives.

Having a constellation of affordable expert advisors will no longer be a privilege of the wealthy.

Incumbents will change their business models or become irrelevant

Will Facebook, Google and their data brokers be able to remain relevant? There is no doubt that these companies have delivered a tremendous amount of value to consumers, along with many harmful effects.

Since decentralized Internet systems such as Solid and Elastos are open source, they are available to all incumbents.

The technology is a no brainer. Incumbents may decide to use their massive resources to transform themselves into protectors of privacy and engines of personalization. The alternative is irrelevancy.

These new forces of positive change present a win-win-win opportunity for buyers, sellers and digital platforms. Everyone can be a winner when privacy and personalization converge.

WE ARE AT a major intersection in the life of our digital ecosystem.

The evolving convergence of privacy regulation, consumer data ownership, fiduciary platforms, personal AI, the consumer-led intention economy and trusted expert advisors, in some combination, will transform business as we know it.

It will be messy and complex and will evolve over a decade or more, because incumbents will fight with every resource to maintain their monopolies.

Only one thing is certain. It would be wise for Big Tech to disrupt themselves and get on the right side of moral and economic history.

Milton Pedraza is founder/CEO of the [Luxury Institute](#) and the [Global Luxury Expert Network \(GLEN\)](#), New York. Reach him at mpedraza@luxuryinstitute.com.