

LEGAL AND PRIVACY

Consumer privacy concerns grow with social commerce popularity

May 13, 2021



As social shopping accelerates, so are concerns over payment privacy. Image credit: Instagram

By NORA HOWE

While ecommerce and social shopping are accelerating, consumer confidence in the privacy and security of omnichannel payments is low, according to provider of data security and compliance solutions [Semafone](#).

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

In its "Omnichannel Payments Consumer Trust" survey, Semafone highlights generational divides and consumer concerns for personal privacy and security when providing payment details across channels including social media, text/SMS, chat and phone calls. As skepticism grows, brands must address payment security and increase awareness of the measures they take to keep personally identifiable information secure.

"An omnichannel shopping experience gathers consumer data from numerous sources, all of which create increased risk for data breaches," said Gary E. Barnett, CEO of Semafone. "Now more than ever, it is critical for retailers to provide a secure, frictionless experience for their consumers, and this means implementing the right solutions to keep data secure across new, digital channels.

"Familiarity is a key component of trust, and newer channels such as mobile applications and social media still have to earn the trust of consumers," he said. "Once these digital channels are all payment-enabled, and consumers have two or three successful experiences purchasing on them, we will see adoption grow."

Semafone commissioned research with Dynata in April 2021 among 1,000 consumers in North America via online collection.

Payment privacy

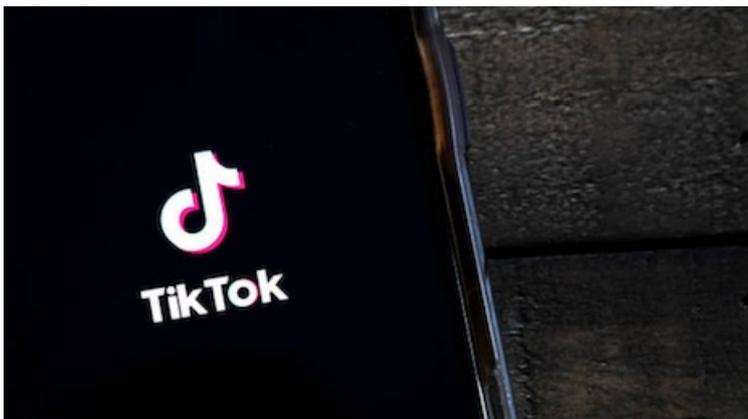
As shoppers have increased their screen time, platforms including Instagram, Twitter, TikTok and Pinterest have invested in social shopping capabilities.

In February, TikTok began exploring an expansion of its livestream shopping events as social media moves in a more transactional direction.

The short form video-sharing platform is looking to implement features allowing users to buy products within the app, interact with influencers and their product affiliate links and purchase products from livestreaming events ([see](#)

story).

Beauty group L'Oral has also further accelerated its ecommerce strategy with an investment in social selling platform Replika Software. The beauty group's venture capital fund BOLD Business Opportunities for L'Oral Development acquired a minority stake in the New York-based software company in December 2020 (see story).



TikTok is planning a serious expansion into ecommerce in the United States. Image credit: Getty

While social platforms may be aiding in product discovery and the shopping process, they are falling short on closing the deal, according to Semafone.

The survey revealed that U.S. consumers are not as confident in social purchasing as trends may suggest, as 13 percent of respondents use social media to complete a purchase and only 5 percent say it is their preferred method.

More than half of respondents, 56 percent, stated they would not want to give payment details through social media platforms, suggesting that payment security across all channels is critical.

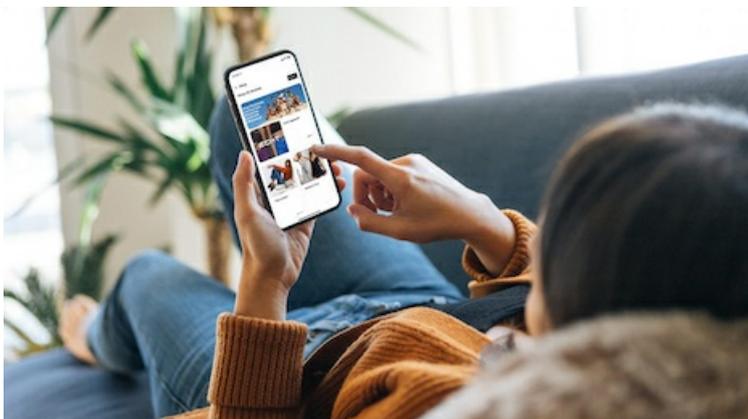
A majority of consumers 65 years and older, 80 percent, said they would not give any payment detail over a social media platform. While younger generations expressed less concern in social shopping, only 11 percent of respondents ages 25 to 34 stated that they regularly provide payment details over social channels.

Despite lockdown orders, in-store was still the preferred channel for consumers. More than one in four consumers, 27 percent, felt most secure when completing in-store payments at big box retailers such as Walmart and Target, followed closely by online marketplaces such as Amazon at 21 percent.

During the past year, smartphones have remained a source of engagement, but they have also become one of the main ways to interact with brands and businesses. Despite the reliance on communicating through devices, there is a consensus of hesitation around verbally providing payment details to an agent over the phone.

Four in 10 consumers agreed that the increase in customer care agents working from home has impacted their trust in the security of their personal payment information.

Data also revealed that younger consumers are relying on the phone more to complete transactions, with 30 percent of those ages 18 to 24 saying they have read payment details over the phone if it is a business they trust.



Younger consumers are more willing to make purchases through social platforms. Image credit: Afterpay

Despite the older generations being less concerned about remote agents, only 3.5 percent of those aged 55 and older said they regularly share payment details over the phone.

Consumers spanning generations are also wary of purchasing and paying via text or SMS.

Less than 10 percent of U.S. consumers purchased something on this channel in the past year. Even fewer consumers feel comfortable making a payment via a chatbot, with only 8 percent of all respondents stating that they have made a payment over live chat or a chatbot in the past year.

Generational habits

Younger generations are more likely to turn to online marketplaces, including Amazon, Etsy and eBay, for their shopping needs. Of those ranging from 18 to 34-years-old, 47 percent plan to shop with online marketplaces for upcoming seasonal celebrations including graduation and Father's Day.

Millennial and Gen Z consumers are also prioritizing spending on local businesses and high-quality goods, according to payment provider Afterpay. Their purchasing behavior has shifted amid a turbulent year, and now they are focused on beauty, fitness and home decor ([see story](#)).

According to Semafone, only 22 percent of those 55 years and older said they will shop with online marketplaces, compared to 43 percent in this age group who said they are planning to shop in-store for gifting needs.

To meet the needs of in-store shoppers, U.S. department store Nordstrom elevated its offerings by partnering with Dover Street Market Paris last month to highlight emerging designers through curated concept shops. The two retailers now feature seven individual brands under the brand development brand of Dover Street Market Paris and their spring/summer 2021 collections in select Nordstrom stores and online ([see story](#)).

"There are two main challenges with implementing new transaction methods: complying with the requirements set out in the Payment Card Industry Data Security Standard (PCI DSS) and increasing consumer awareness and confidence that their personal information is secure no matter what channel they choose to transact on," Mr. Barnett said. "The average consumer is familiar with making online payments at big retailers but might not be aware they can make that same purchase via text/SMS or their preferred social platform.

"Brands need to build security awareness around these new options to meet customers in the channels where they like to shop."