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The price of personalisation

Personalised recommendations offered by subscription services are a tool to keep people coming back for more, but the price attached isn't simply a recurring fee. It's a handover of data, and attachment issues



Subscription-based services have grown in popularity, as much as 100% between 2012 and 2017, according to a 2018 [McKinsey survey](#). Regardless of whether the subscription offering is for digital music, curated snack boxes, or hand-picked date night experiences, the rapid expansion of these services centres on delivering a uniform product to each customer that personalises itself over time based on data provided or collected.

In the same survey by McKinsey, 28% of US consumers reported the main reason they stick to their current subscription(s) is the level of personalisation offered. Personalisation, however, is not accomplished overnight. The longer you interact with a company, the more data is collected and the more personalised the experience becomes.

This means two things: first, the amount of data collected could be cause for concern when it comes to data privacy. [One study](#) found that 75% of UK citizens still report a concern with levels of online privacy, citing transparency as key for trust.

Second, consumers' behaviour could be influenced by prolonged use of subscription services and their level of personalisation. Both can create an emotional attachment to the service and inflate the sense of switching costs and impression of ownership. This can increase the

cognitive load required when deciding whether or not to cancel a subscription, often leading to procrastination and inertia.

Expanding the trust horizon

Personalised recommendations that consistently please leave little doubt that subsequent suggestions will do anything contrary to that. Successfully personalised recommendations add an air of trust to the relationship that is often used to justify the amount of data that consumers are willing to hand over to access their individualised recommendations.

Where there may have been hesitation before, personalised offerings seem to convince individuals that sharing a bit of their data can benefit them in the long run.

A [2018 study on data privacy](#) found that the amount of people in the UK concerned about online privacy dropped from 84% in 2012 to 75% in 2017. While 75% is still quite high, there is a chance that the implementation of GDPR will speed up this process. When asked in the survey, 88% of consumers said transparency is key to entrusting their data to a company, one of the core principles of GDPR. Meanwhile, the number of those who are unconcerned about data privacy climbed to 25%, up from 16% in 2012.

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On the flipside, the same study showed that more people now feel like they're losing control over the information that they do or don't share (from 56% in 2015 to 65% in 2017).

So while personalisation is convenient and often successful, it opens the door for additional privacy concerns as the sheer amount of data required to personalise recommendations across industries mounts. And the demand for personalisation may in some cases be overtaking the consumers' need the stay in control of their personal data.

Using data to build relevance

Successful personalisation relies on the product or service being relevant to the individual. Companies can achieve this by leveraging the data collected across interactions with the products and services to provide personalised recommendations.

Accumulating the mass amounts of data needed poses several problems. Not only are personalised recommendations hard to give up, but they are also used to maintain and upsell subscription levels within existing relationships.

Subscription services that offer multiple tiers may often make personalised recommendations

that require an upcharge to access. What was once a free or entry-level service tier becomes the gateway into further spending, requiring additional fees to be paid before accessing highly relevant and often desired content. As one in five subscribers [reports](#) a willingness to pay a premium for personalised goods and services, this figure demonstrates the power that the data-fuelled practice has on influencing behaviour.

Hardwired for personalisation

Personalising offerings and recommendations taps into the part of the brain responsible for making purchasing decisions and influences consumer behaviour. When items are personalised, they become more relevant, and more valuable, to the individual, and therefore worth the cognitive capacity required to store it in their memory. Whenever the brain determines something is valuable, the [Papez circuit](#), which is responsible for controlling memory and emotions used in daily cognition, commits it to memory. Memories are often profoundly tied with emotions, building bonds between products and services at a non-conscious level.

The longer someone encounters personalised content that speaks to their preferences and desires, [the stronger their connection](#) and satisfaction with the service. The brain forms these [bonds](#) automatically, connecting people directly to products and services.

Difficult to give up

The “pain of personalisation” comes from the difficulty of giving up on a subscription, which becomes harder the longer someone has it. It plays into a natural part of human behaviour that everyone experiences.

Switching costs are not tangible, but are often a psychological barrier representing loss of time and effort spent on cultivating a personalised experience with a service.

Personalising recommendations introduce a switching cost to the customer – the economic term for what would be lost in an original investment if one chooses an alternative option – that makes it even harder to separate with a subscription service as it increases the cognitive load to make such a decision. Switching costs are not tangible, but are often a psychological barrier representing loss of time and effort spent on cultivating a personalised experience with a service. They can also increase the perception of ownership of the content or goods provided through subscription services. People have a natural tendency to avoid leaving a familiar option as doing so adds emotional discomfort stemming from the [breaking of the bonds](#) one has formed with the provider.

While the customer does not own what they subscribe to, they become accustomed to uninterrupted access to content for as long as they pay the bill. Having access to the material represents a form of an endowment, or ownership of a particular item. When someone has a deeper emotional relationship with an item, an ownership-like attachment forms from the fear of losing the thing they have created an [emotional attachment](#) with.

With the continued growth in popularity of subscription-based services, the impact personalisation has on the relationships consumers form with their subscriptions is evident. Brands can hold a lot of power over individual behaviour and in the light of increased profit potential, may need to be cautious about how they navigate the murky waters of leveraging data, emotion and attachment to speak to the non-conscious parts of consumers' brains. Similarly, consumers must be aware of the forces at play that impact their choices in perhaps seemingly harmless exchanges.

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