

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.

The demand for personalisation may in some cases be overtaking the consumers' need the stay in control of their personal data.

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.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com