

Data Horizons: How UK SMEs and Consumers View the Future of Privacy Regulation

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/ Introduction

With the Data Protection and Digital Information Bill (DPDI), the UK Government's proposed revisions to current data privacy regulation, going through its final stages of confirmation by Parliament in autumn 2023, businesses are waiting to see if any further revisions will be made.

DPDI, of course, encapsulates the UK Government's drive for responsible innovation across the data and digital sectors. This creates an exciting opportunity to supercharge data-driven innovation without sacrificing the robust consumer protections current laws uphold, which — crucially — should maintain the UK's data adequacy status with the EU.

The DMA supports the government's proposals to modernise data protection regulations, including GDPR, with a series of sensible, pro-growth reforms for what we all believe will be a strong UK economy powered by data, digital and scientific innovation.

It hasn't been straightforward getting to this point. The DMA's members played a crucial role in advising the government through industry roundtables hosted by the DMA, in partnership with government, on the Bill. The consultation raised important concerns from businesses, particularly their uncertainty around the use of legitimate interests as a lawful basis. I was privileged to chair the Government's Business Advisory Group, ensuring the voices of businesses and consumers were heard during the Bill's development phase.

What's clear is the need for regulation that is fit for purpose, putting the customer at the heart of data privacy provisions as the digital economy grows, while acknowledging the need for balance as marketers seek to create the products, services, and experiences that will drive growth.

We have sought the views of SMEs and the UK public via an in-depth data privacy study. This report presents key insights into their attitudes, beliefs, future intent and recommendations:

- Personal data processing is vital for business success, according to SMEs — but existing legislation can be restrictive.
- Regulatory reform is therefore welcomed but must be balanced with the opportunity to build an effective framework for growth; founded on building customer trust, transparency and accountability.
- Customer relationships remain key; educating both SMEs and informing consumers about DPDI's provisions will be central to strengthening them.
- AI technology development can become a beacon of responsible innovation and business growth but must be balanced with an individual's right to privacy. It is imperative that an industry ethical framework co-exists with future government regulation to build trust.

All in all, marketers can view DPDI — and the technological and scientific innovation it underpins — as the chance of a generation to build inclusivity and public trust in the data-driven digital economy of the future.

In that sense, DPDI is just the beginning of an era of new opportunity for charities, businesses — particularly SMEs — and their customers.

Chris Combemale
CEO at the DMA

/ Seven Things you Should Know

The DMA separately surveyed 101 SME decision-makers, based at businesses in the UK, as well as a nationally representative sample of 1,002 UK consumers during June and July 2023.

The objective of the study was to highlight attitudes towards current and planned data privacy regulations active in the UK; the impact of these laws on UK businesses' efforts to operate effectively; and how they affect consumer attitudes towards use of their personal information for marketing purposes.

- 1. SMEs say personal data is integral to growth:** Almost three-quarters (73%) of UK SMEs believe processing personal data is an integral part of their organisation's growth strategy — and 43% believe current GDPR regulations are detrimental to their marketing activity.
- 2. Leaders back plans to modernise data laws:** Nearly two-thirds (66%) of SME decision-makers say they support plans to update UK data and digital regulation, through DPDI. Illustrating the point, a majority (51%) agree the time has come to update the current data protection framework.
- 3. A platform for responsible innovation:** While GDPR is not the most popular regulation among SME leaders, a big majority believes regulation is vital to ensure firms create processes to correctly handle and store customer data (80%) as brands seek to use customer information to underpin innovation.
- 4. Reforms in line with DPDI provisions:** 82% of firms that are aware of GDPR say they also understand legitimate interest is a basis for compliant processing of personal data. Furthermore, 79% confirm that if DPDI includes greater certainty around the use of legitimate interest as a legal basis for direct marketing, they will use it to attract new customers and retain existing customers.
- 5. DPDI must not impact consumers' protections:** Consumers have strong views about data privacy: 59% believe brands use data responsibly for data-driven marketing, while 47% state they would consciously ignore brands that don't respect their preferences.
- 6. Making AI a force for good:** Around one-third (34%) of consumers are concerned about the use and privacy of their personal data amid the growth of AI technology. More than three-quarters (76%) of SMEs say regulation of AI in future could increase confidence.
- 7. Raising awareness of regulatory change:** While 94% of UK SMEs claim to understand current data regulations to some extent, more than 90% say they need guidance on best practice around using personal data and digital information. Most turn to organisations such as the ICO, the DMA, and law firms for support.

/ 1. SMEs say Personal Data is Integral to Growth

Almost three-quarters (73%) of UK SMEs believe processing personal data is an integral part of their organisation's growth strategy.

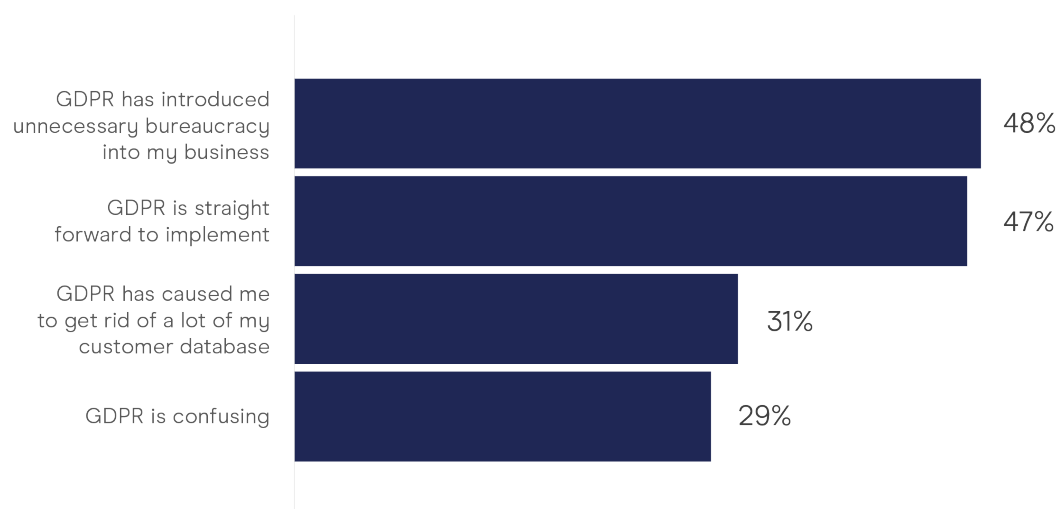
While data is seen as central to success, many businesses admit they face challenges processing it under GDPR. This is despite 75% confirming their organisation is GDPR compliant.

Almost half (48%) claim that current rules have resulted in them facing more red tape, while nearly a third (31%) say their customer database has shrunk since the law was introduced. Fewer than half (47%) believe it's easy to implement GDPR, and 29% find the regulation confusing.

In addition, 43% of decision-makers at SMEs say concern around GDPR has stunted their marketing strategy.

Impact of GDPR on UK SMEs (% agree)

To what extent do you agree or disagree with the following statements about GDPR?



Data-driven innovation is key to unlocking business growth and realising the full potential of the UK digital economy; by using customer insights to simultaneously improve the productivity of businesses and save time for customers through personalised services.

Chris Combemale
CEO of the DMA

/ 2. Leaders Back Plans to Modernise Data Laws

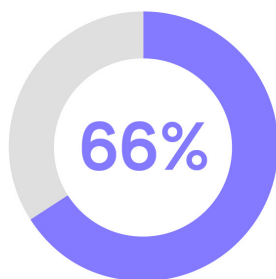
Against this backdrop, far more SME leaders agree the time has come to update current data laws (51%) than disagree (12%).

In fact, there is a groundswell of support for UK Government plans to modernise digital information and data privacy legislation beyond current EU legislation: 66% of SMEs back the strategy.

A similar share (67%) of SME leaders are optimistic about proposed reforms to data regulation, agreeing that they will make the UK more attractive for tech investors and innovators.

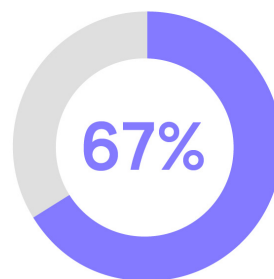
Support for data privacy regulation reform

To what extent would you be supportive of or against the UK government introducing updated and modernised regulation around data privacy and digital information beyond the EU's GDPR framework?



Supportive of an updated and modernised data privacy regulation

To what extent do you agree or disagree with the following statement? Reformed data protection regulation will enable the UK to become a more attractive tech hub to tech innovators and investors



Agree that reformed regulation will make the UK a more attractive tech hub



There is strong support among the UK's SME community for sensible, pro-growth reforms to supercharge investment and growth across the UK's digital economy.

Chris Combemale
CEO of the DMA

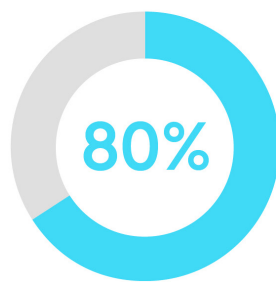
/ 3. A Platform for Responsible Innovation

While many decision-makers at SMEs see implementing GDPR as a hindrance, that doesn't mean they all disagree with the sentiment that investment and innovation must be balanced with customer protections.

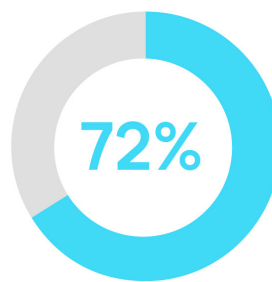
A significant majority understand the law is in place to ensure firms create processes to handle and store customer data correctly (80%), and to keep their data safe (72%) as a platform for responsible innovation.

SME understanding of the role of GDPR (% agree)

To what extent do you agree or disagree with the following statements about GDPR?



GDPR requires companies to have processes in place for handling and storing customer data



GDPR keeps customer data safe

Most businesses believe that customer data is sacrosanct and must be kept safe. Four in five (79%) SME leaders believe the UK needs customer data regulations that will ensure customer data stays safe. Just 3% disagree.



SME owners clearly respect consumers' right to privacy and recognise the value of consumer trust by maintaining existing privacy protections.

Chris Combemale
CEO of the DMA

/ 4. Reforms in Line with DPDI Provisions

As changes are made to UK data legislation, most SMEs want legitimate interest to remain the bedrock of data processing — and this is just one key area where their views are aligned to the proposed provisions of the government’s new DPDI bill.

Today, 82% of firms that are aware of GDPR say they also understand legitimate interest is a basis for compliant processing of personal data.

Almost equally as many want this to continue under DPDI. In total, 79% confirm that if the proposed legislation gave greater certainty to the use of legitimate interest as a lawful basis for direct marketing, they would use it in activities such as profiling and segmentation to improve relevance, as well as for direct mail. Only 4% say they would not.

However, SMEs also need clarity. Legitimate interest has long been a complex issue, and 71% state future regulation should help them understand exactly what it means for marketers.

Other areas where SME demands of data law are in line with DPDI include:

- 76% want data protection regulations to make it easier for them to talk to customers
- 75% would like future data laws to enable them to easily prospect for new business
- 81% say future regulation should be easy to understand; 80% want rules to be straightforward to implement

SME demands from data regulations (% agree)

To what extent do you agree or disagree with the following statements about the future of data regulations?



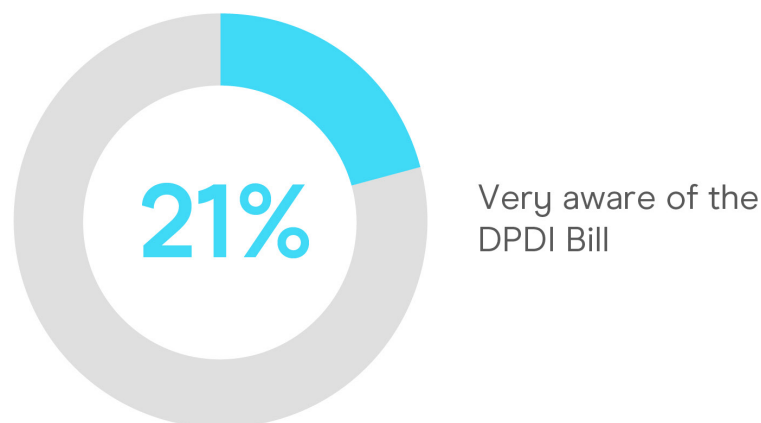
Meanwhile, 79% say new UK data laws should create a level playing field, working as well for SMEs and they do for larger businesses.

There is still work to do to make sure all businesses are aware of planned changes to UK data privacy laws.

Only around one-fifth (21%) of SMEs say they are very aware of DPDI, highlighting the crucial need to raise the profile of the reformed data privacy regulations to at least the same level of awareness as current data protection rules, including GDPR.

SME awareness of the DPDI Bill

To what extent, if at all, are you aware of the DPDI (Data Protection and Digital Information) Bill?



SME demands for reform are completely in line with DPDI. This is testament to the government's open communication with industry bodies like the DMA — ministers have clearly listened to the voices of the business community and its customers.

Chris Combemale
CEO of the DMA

/ 5. DPDI Must Not Impact Consumers' Protections

At present, almost three-quarters (74%) of consumers surveyed find GDPR and current data privacy protection sufficient, with 17% of those believing they are 'completely sufficient'.

So, a large majority of consumers trust data privacy regulation and want the robust protection it offers them to endure.

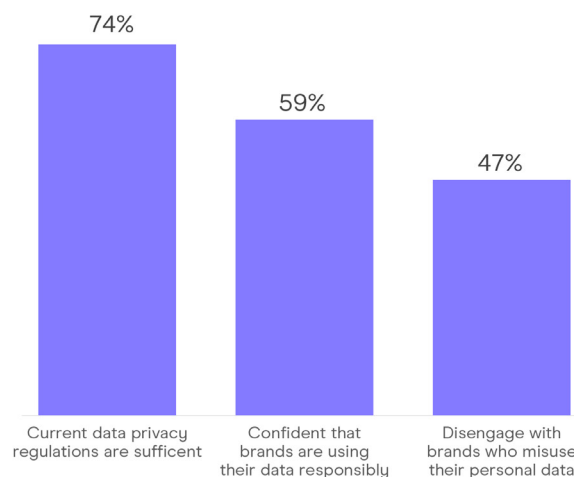
This is vital, because, overall, consumers are also confident (59%) that brands use data responsibly when it's processed for the specific purpose of data-driven marketing and communications.

But they also offer a warning: 47% agree - compared with just 15% who disagree - that they consciously ignore or disengage with brands they do not believe are using their personal data respectfully.

All the more reason for SMEs, and business as a whole, to push for continued robust protection to remain a cornerstone of DPDI once implemented.

Consumer attitudes to data privacy and regulations

To what extent do you agree that...?



Reforms within the DPDI Bill will create a better balance between innovation and privacy, maintaining GDPR's high levels of data protection while enabling scientific and technological innovation that will power the future economy.

Chris Combemale
CEO of the DMA

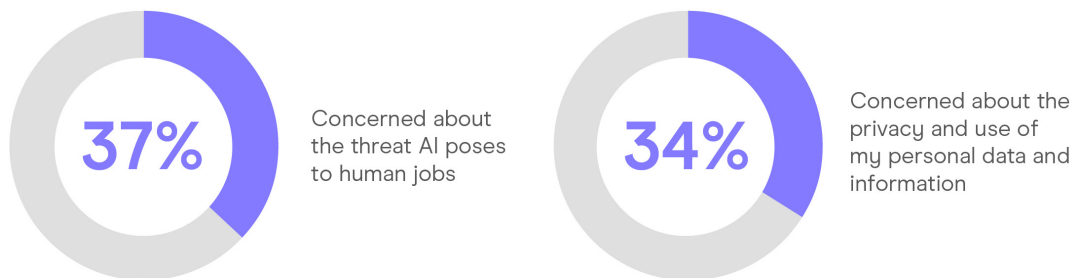
/ 6. Making AI a Force for Good

Just as they have faith in current data regulations, consumers also believe UK bodies can create boundaries to help them feel secure in the face of emerging technologies.

Around one-third (34%) of consumers are concerned about the use and privacy of their personal data amid the growth of AI technology. Only the threat to jobs currently held by humans appears higher on their list of AI-related anxieties (37%).

Consumer concerns around impact of AI (% agree)

What, if anything, is your main concern about the growth of Artificial Intelligence?



But when asked to state the extent to which they trust UK data protection regulation to keep up with the pace of technological change, 67% reveal they have confidence in regulators; around one in seven (14%) are fully confident.

The lion's share (76%) of SMEs believe more stringent regulation to mitigate the ethical risks of AI could close this confidence gap among consumers. Just 6% of SMEs say tougher AI laws should be taken off the table.

In fact, more than one in four SMEs (27%) claim they are not currently seeking to innovate using AI - for now at least - as they don't yet have faith in safeguards surrounding its development. Even among those intending to implement AI, a significant share (40%) are unhappy with existing regulation.

With the UK Government keen to lead global discussions on introducing 'guardrails' for AI, industry must be careful not to stymie the opportunities that the technology could provide.

Businesses and consumers share similarly optimistic views about the benefits AI can bring - from professional training and development to boosting the economy, and society as a whole.



An ethical framework founded on core values such as accountability, responsible innovation and transparency is critical for AI's development to ensure it remains a force for good. The human-AI team is our best future, with AI operating as a tool that humans use to assist and enhance our own abilities.

Rachel Aldighieri
MD of the DMA

/ 7. Raising Awareness of Regulatory Change

An emphasis on self-regulation is key to bolstering any new data protection legislation that is introduced: industry frameworks that promote core ethical values of commercial companies.

Awareness of DPDI is crucial to this – perhaps even eclipsing organisations’ recognition of existing data laws, including GDPR – and both the DMA and ICO have an important role to play.

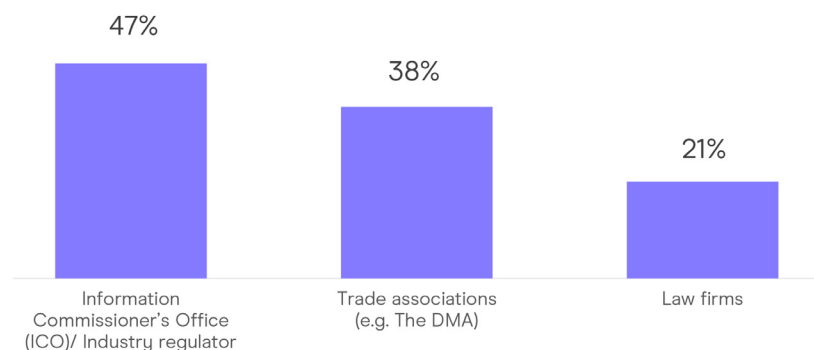
While 94% of UK SMEs claim to understand current data regulations to some extent, fewer than one in 10 (8%) of them say they do not need any guidance on best practice around using personal data and digital information.

Of the majority that do seek support, they tend to consult:

- The Information Commissioner’s Office / Industry regulator: 47%
- Trade associations e.g. the DMA: 38%
- Law firms: 21%

Sources of SME guidance on use of personal data and digital information

Where, if anywhere, do you go to for support and guidance on best practice for the use of personal data and digital information?



SMEs that seek guidance from trade bodies — such as the DMA — in this area are generally satisfied with the advice they receive. Just over three-quarters (76%) state the support is adequate or very good.



Trade and professional bodies are best placed to support and educate businesses on best practice and compliance with our strong ties to government and industry leaders, helping us to understand the needs and values that are important to businesses and, crucially, their customers.

Rachel Aldighieri
MD of the DMA

/ DMA's Message to UK Political Parties

The DMA strongly supports the reforms to data protection regulation proposed by the government, and strongly urges the House of Commons and House of Lords to pass the Data Protection and Digital Information (No 2) Bill as quickly as possible.

Responsible, progressive businesses and their marketers favour strong data protection legislation that protects privacy and ensures data is kept securely, as this study shows. At the same time, most SMEs also support evolution in legislation that makes it easier to attract new customers and retain existing customers. This is key to unlocking the potential of the UK digital economy, simultaneously improving the productivity of businesses and saving time for customers through relevance.

New technology will enable companies of all sizes to better understand what their customers want, and to create new products and services to meet their needs. Most critically, SMEs will now have an equal opportunity to leverage the benefits of innovation thanks to a new generation of technology that is democratic and affordable. For the first time in history, SMEs will be able to compete on an even playing field with large corporations provided they are not stifled with unnecessary bureaucracy.

The responsible use of AI will also accelerate business growth by enabling more personalised customer experiences and utilising the benefits of the human-AI team. The majority of companies want to use AI as a force for good supported by ethical frameworks such as the DMA Code. The DMA supports the government's approach outlined in the recent white paper to establish a set of core principles to guide regulators across their respective sectors.

The DPDI Bill updates the UK's data protection framework to create a better balance between innovation and privacy, maintaining high levels of data protection while enabling scientific and technological innovation that will power the future economy. There is strong support for this balance across the UK's SME community as we have seen in the report. Political parties from across the spectrum must unite in support of UK SMEs, and help them continue their recovery from the pandemic and cost-of-living crisis by passing the Bill urgently.

Chris Combemale
CEO at the DMA

/ Methodology

The research was conducted in June–July 2023 via an online survey of 1,002 respondents, nationally representative of the UK population aged 16+ and 101 SME decision makers aged 18+.

The data was collected by Censuswide who abide by and employ members of the Market Research Society which is based on the ESOMAR principles. For the consumer part of this research, Censuswide set interlocking, nationally representative quotas on age, gender and region. This ensured the sample was representative of the GB population. For the SME part of the research, there were no further quotas set apart from ensuring the decision makers work in SME companies.

If you have any questions about the methodology used within the report, please contact katie@censuswide.com

/ About the DMA

The Data & Marketing Association (DMA UK) is the UK's leading trade association for today's progressive data-driven marketers. Our mission is to build more responsible, ethical, diverse, creative, and innovative organisations by setting, promoting, and teaching the standards to build trust and deliver marketing effectiveness. We deliver this through [Representation](#) to government and regulators; [Resources](#) developed by the industry for the industry as a complete source of marketing intelligence; and [Relationships](#) built through active participation in our community. We are Europe's largest community of data-driven marketers.