

# Chapter 5

## Enhancing Consumer Trust Through Transparent Data Practices and Ethical Data Management in Business

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### **ABSTRACT**

*This chapter evaluates the relationship between TDP and PT on consumer trust in digital business models mediated by ethical data management (EDM). The study applies an exploratory research design with two structured surveys addressing consumers and professionals to gather quantitative insights regarding these connections. The research shows that transparent data practices increase consumer trust, and perceiving transparency strengthens this influence. The management of data with integrity significantly strengthens trust. The research outcomes match Trust Transference and Social Contract Theory theories and show that upholding transparency and ethics significantly enhances consumer trust. The relevance of straightforward communication to improve perceived transparency among businesses is emphasized in the analysis. This research presents important suggestions for companies and regulators to improve data management and consumer trust in*

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*the digital market.*

## **1. INTRODUCTION**

### **1.1 Research Background**

Due to the advancement of technology and the emergence of new markets, the digital economy is experiencing significant growth, and this has resulted in the collection of large amounts of data and its analysis to improve the customer experience. (Sturgeon, 2019). However, this kind of data gathering has also brought many controversies regarding the issue of data privacy and security. Due to numerous data breaches and misuse cases, consumers are more sensitive to how their information is used. In this connection, the ‘proper use of data’ concept has become one of the most important levers to help create and sustain trust between consumers and businesses. Transparency concerning company data management can go a long way in shaping people’s attitudes and actions. (Martin & Murphy, 2016)

Data disclosure and privacy rules differ greatly depending on the industry, influencing how an organisation addresses consumer data. For instance, in healthcare, HIPAA regulations regulate what can be done with patient data, emphasising that providers must inform users about what they do with data and ensure that unauthorised individuals do not access it. This transparency requirement ensures the patient knows how their health information will be used. In this way, there is increased confidence in the healthcare system due to providing a channel through which privacy can be protected through downstream regulation. (Office for Civil Rights, 2015).

Likewise, in the financial industry, the Financial Industry Regulatory Authority (FINRA) has made it mandatory for firms to maintain data accuracy and be transparent while dealing with critical economic data. FINRA’s rules require firms to explain to consumers how their information is collected, used and protected, providing extra protection. It reduces the risk of financial fraud and creates a trust between the financial institutions and their customers. (Financial Industry Regulatory Authority, 2019)

The GDPR in the EU takes these requirements across different industries by focusing on data subject rights and control. Consumers are provided with extensive information on how their personal information is processed under GDPR, the right to erasure or to obtain data, which establishes the principle of transparency as a core of data management. Such different regulatory requirements prove the need for flexibility in transparency practices for various industries to fulfil legal obligations and customers’ expectations. (European Union, 2016)

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