# Digital Identity 2020 - Drivers and Challenges

Mitek

Convenience battles security when it comes to digital identity adoption

While consumers value digital identities for access to new services, they remain concerned over security risks and are fighting to find a balance between the two. But when it comes to the sharing economy, consumers are already actively using digital identities, setting the stage for the next frontier of digital interactions.
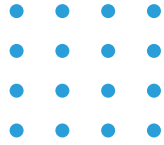
Executive Summary

New digital services and solutions are racing to enter the market every day. This rapid growth increasingly calls for consumers to rely on their digital identities to validate and secure their accounts to bank online, transact with apps and interact with each other. But in this digital age, what is the true meaning of "identity?" Do consumers truly comprehend why and how they use their digital identities to access services?

"Digital identity" is defined as the body of information about an individual or organization that exists online[1]. Unique identifiers and use patterns make it possible to detect individuals and verify a user is who they claim to be when participating in any online or digital interactions.

The problem, however, is that everyone has a different point of view relative to the meaning and use of their digital identities. Consumers are confused — and in some cases, they're wary of what risks the conveniences may expose. For instance, while a digital identity allows consumers to transact from anywhere and more easily manage various ID cards, it also poses a potential single point of compromise that malicious hackers can use to steal all of that personal information.

In July of 2019, Mitek commissioned a survey that asked 1,000+ US consumers about their awareness of digital identity, their comfort level with the technologies that employ and verify their digital identities, their security concerns and where they see the future of digital identity going.

---

1   "Definition: digital identity," WhatIs.com by TechTarget. August 2017. https://whatis.techtarget.com/definition/digital-identity

Mitek

The study found that:

Only 25% of consumers say they fully understand digital identity, but 65% report using it every day.
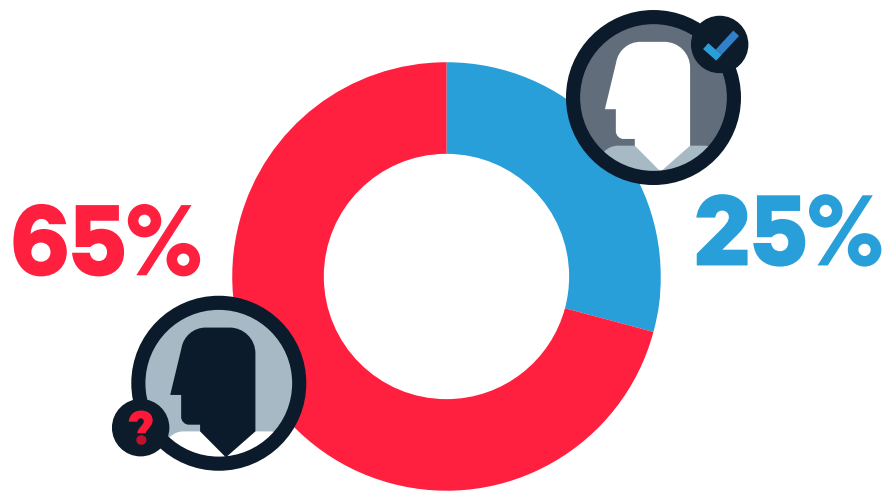
- Digital identity users are still highly concerned about the safety of their data, but are willing to sacrifice some security for services that make their lives more convenient

- Consumers still prefer more traditional methods of identity verification over newer biometric technologies, but mainstream adoption of biometrics continues to grow

- Consumers see in-home services such as Wag and Care.com, Instacart and Walmart's delivery service as the most valuable applications for digital identity in the future — ushering in the next frontier of the gig economy

65%   **25%**

Mitek

Consumer perception of digital identity is still hazy

We live in a connected world. We tap and click through more personal interactions, transactions, tasks and activities now than we ever have before — faster than ever before. And since the bulk of our interactions exist online, the concept of identity is no longer relegated to just the physical world. Our digital identities are stepping into the forefront of our lives.

And while the use of digital identity continues to grow along with the digital economy, confusion still exists around what digital identity is, how it is defined and what it can be used for. In fact, only one quarter of respondents (25%) believe they fully understand it, with nearly half (44%) who say they partly understand it.

Despite this confusion, 65% of respondents say they use their digital identity every day, which isn't surprising given the wide range of items that respondents say make up their digital identity:

What do consumers consider to be part of their digital identity?

86%	Social media profile(s) / Community Platform(s)
71%	Usernames and passwords
69%	Website history / browser cookies / trackers
65%	Transactions history (current account / credit card / financial history)
62%	Personal opinions shared by you online
61%	Digital log of your travel, shopping and social preferences
57%	An image of your ID document online
53%	Online gaming profile
48%	Medical history /records
30%	Voice assistants' records
1%	Other

Given the complex and widespread assumptions of what digital identity is and could be, it's clear that as digital identity becomes ingrained in our everyday lives that there is a need to educate consumers on what digital identity is.

Mitek

We want what we want, when we want it: Consumers hesitate, but continue to forego security for expediency
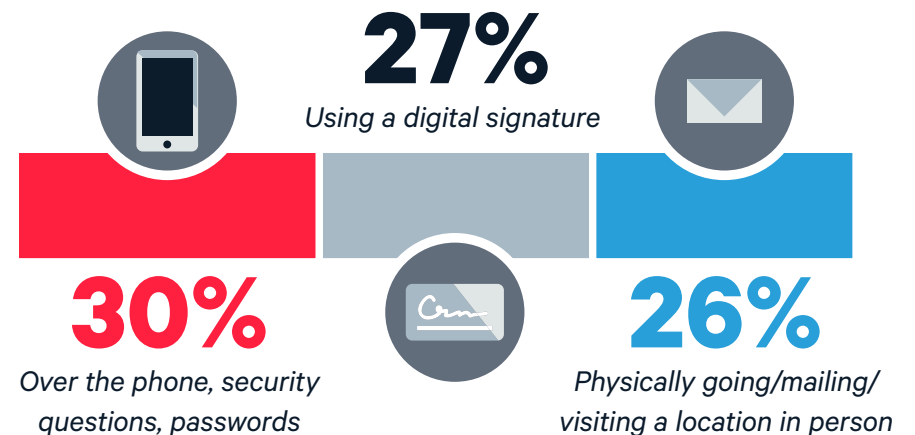
In today's "always on" era, consumers want technology and services that not only fit into their lives and routines, but that make busy schedules easier. Convenience (66%) is the number one benefit respondents see when using digital identity, followed by speed (49%) and access (31%). This isn't surprising given how our society operates today. Consumers have come to expect instant gratification and want to be able to complete tasks when, where and how they want.

And as the use of digital identity continues to gain momentum, 72% of consumers view digital identity as both a convenience and a potential risk. This dichotomy highlights both the hesitation consumers have about using digital identity when it comes to the safety of their data — and their simultaneous desire to access services quickly, with as little friction as possible.

With the right approach, organizations can provide secure, frictionless and reliable identity verification methods that add a layer of trust and protection to the speed and ease of use offered by digital identities.

## Consumers cling to old habits they *believe* are more secure

That looming mistrust over potential security concerns when using digital identities seems to cause respondents to prefer verifying their identity via methods they are more familiar with, including:

27%
Using a digital signature

30%
Over the phone, security questions, passwords

26%
Physically going/mailing/ visiting a location in person

Mitek

Why?

76% of consumers are extremely or very concerned about the possibility of having their personal information stolen by using digital identities, with 60% noting[2] they feel powerless to protect their identity in the digital world. One can't blame a consumer for clinging to security measures of the past, which may seem like the "safe" bet.

Consumers' concern over the possibility of having personal information stolen by using digital identities

20%
Moderately concerned

45%
Extremely concerned

31%
Very concerned
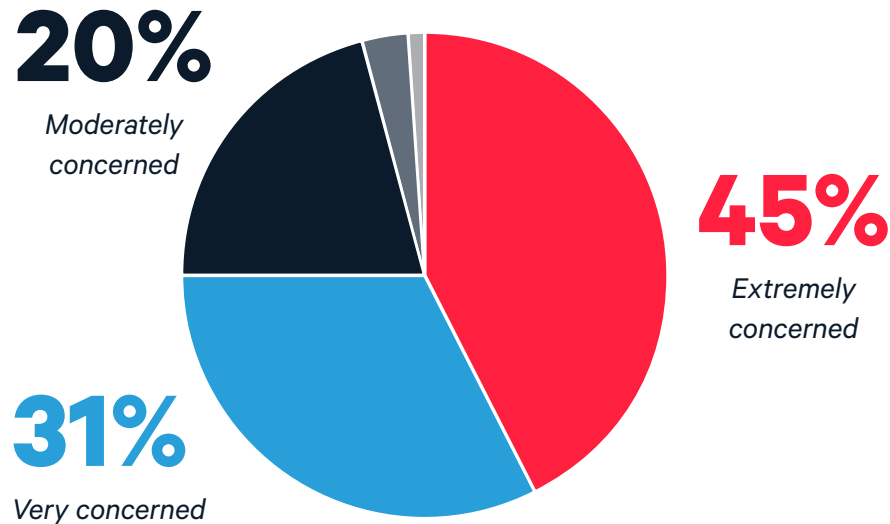
2   Strongly/somewhat agree on a 5-point scale

But passwords, security questions and digital signatures may actually be more susceptible to cyber-attacks and fraud. In fact, according to a 2019 report on data breaches[3], 80% of hacking-related breaches are caused by compromised, weak and reused passwords. While consumers may be more comfortable with these methods because they have been around the longest, that doesn't mean they are the most reliable or effective methods for proving one's identity.

Given the widespread impact and awareness around data breaches and hacks, consumer sentiment around passwords and security-based questions may be changing. Americans are now more worried about cybercrime than violent crimes[4], with 71% worried about having their personal or financial information hacked and 67% worried about being a victim of identity theft.

3   "2019 Data Breach Investigations Report," Verizon. May 2019. https://enterprise.verizon.com/resources/reports/dbir/

4   "Cybercrimes Remain Most Worrisome to Americans," Gallup. November 2018. https://news.gallup.com/poll/244676/cybercrimes-remain-worrisome-americans.aspx

Mitek

Biometrics may be the most advanced opportunity for convenience and security, but consumers are wary of new technologies

Biometric identity verification technologies provide one such avenue for businesses to offer consumers another layer of security when using digital identities. The growing adoption of voice-based products like Siri and Alexa, coupled with the near ubiquitous presence of smartphones, indicates that consumers are becoming increasingly familiar with thumbprint, voice recognition and other biometric solutions in their everyday interactions with technology.

At the same time, however, only 17% of consumers report preferring to verify their identity through biometrics or related digital channels. And, while mainstream adoption is growing, consumers still report a general lack of trust with newer biometric technologies.

Consumers feel uncomfortable using the following biometric channels to verify their identity

eye retina scanners	**25%**
face recognition	**21%**
handprint scanner	**17%**
fingerprint scanner	**12%**
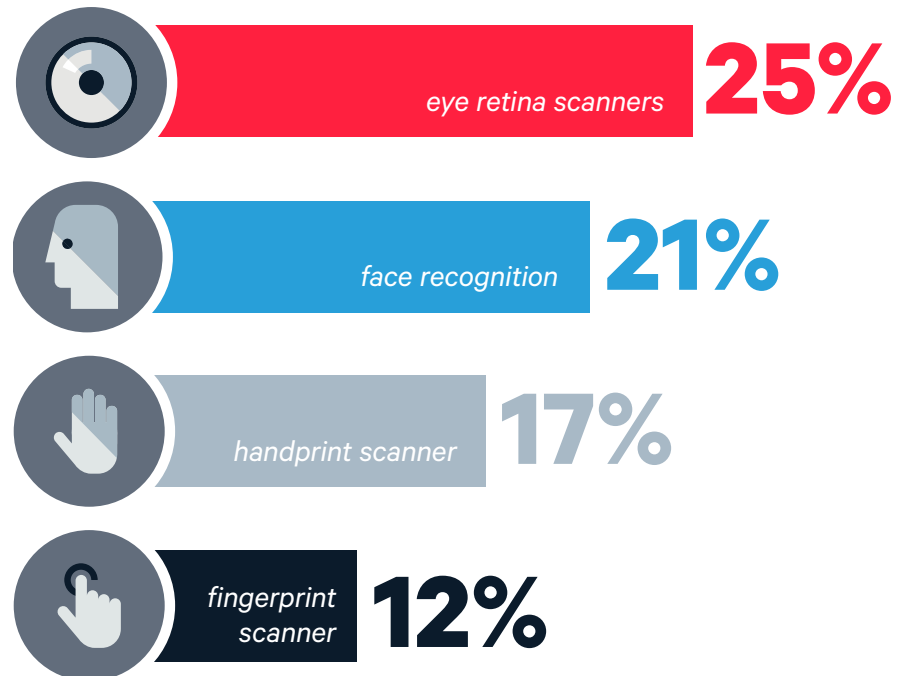
When it comes to verifying their identity, consumers are still most comfortable[5] using identity verification methods that they are familiar with, including traditional documents (54%) such as a passport, driver's license or birth certificate, as well as passwords (51%), compared to newer forms of verification.

5   Extremely/very comfortable on a 5-point scale

Mitek

Biometric identity verification solutions offer much greater security than traditional username/ password methods

"Consumers are understandably wary about using biometric verification methods when it comes to their personal data and finances," explains Mitek CEO, Max Carnecchia. "After all, the first major hack[6] of biometric facial data was just reported earlier this year, and that leaked information poses a potential risk for any exposed users when using biometric security technologies in the future. The fact remains, however, that biometric identity verification solutions offer much greater security than traditional username/password methods.

As the technology continues to grow in its sophistication, malicious access to this data will become increasingly difficult for hackers, providing both a more secure and convenient solution for users to access and verify their digital identities."

Recent findings also show that the global biometric market is expected to be valued at more than $59 billion by 2025[7], continuing a rapid upward trajectory driven by growing concern over traditional identity security measures. Moreover, the potential for new biometrics-based applications in healthcare, financial services and various other industries provide further opportunities for expansion of the technology.

As the use of biometric verification technologies becomes more mainstream, companies can address the lack of trust by educating consumers on the added layers of security and safety that facial recognition provides in the verification process.

6   "Huge security flaw exposes biometric data of more than a million users," The Verge. August 2019. https://www.theverge.com/2019/8/14/20805194/suprema-biostar-2-security-system-hack-breach-biometric-info-personal-data

7   "Global Biometric Technology Market Expected To Reach Around USD 59.43 Billion By 2025: Zion Market Research," Zion Market Research. September 2019. https://www.globenewswire.com/news-release/2019/09/10/1913407/0/en/Global-Biometric-Technology-Market-Expected-To-Reach-Around-USD-59-43-Billion-By-2025-Zion-Market-Research.html

Mitek

Faster and better access to services is the primary driver of digital identity adoption

Nearly four in five (79%)[8] of respondents agree that having their identity digitized would be faster than using a physical identification in the future and three-quarters (75%)[9] agree that having a digital identity would provide easier access to services than a physical document. This point further illustrates that consumers may be more willing to forego concerns if there are clearly perceived benefits.

"As more consumers become comfortable using digital identity, companies have an obligation to educate consumers on the use and safeguard of their digital identities," said Carnecchia. "There is a growing expectation that completing a transaction, signing up for a service or making a purchase should not just be fast and easy, but also secure. As such, it is no longer enough to just use a social login or knowledge-based authentication. Companies need to step up and deploy advanced identity verification methods while also educating consumers on the value and importance of this technology."[10]

Consumers are most comfortable using their digital identities in the travel and hospitality industries

In situations where users needed to verify their identity, consumers ranked the safety of using a digital identity compared to a physical document as nearly the same for travel and hospitality, at 47% and 53% respectively. Given the already widespread adoption of mobile boarding passes, remote check-in and more, it isn't surprising that consumers express a higher level of comfort using digital identities within these industries.

---

8   Strongly/somewhat agree on a 5-point scale
9   Strongly/somewhat agree on a 5-point scale
10   "Whitepaper: The future of identity," Mitek. July 2019. https://www.miteksystems.com

Contrast this comfort level with other situations, like registration/voting, receiving medication information and banking, where most consumers felt more secure using a physical document for verification. It may take a while before consumers feel comfortable making the switch to digital identity for broader use — but perhaps other industries can learn from the travel and hospitality industry by making digital activities a seamless part of the workflow.

Consumers enjoy benefits and rewards, but still want control over what personally identifiable information they share with companies

While nearly all consumers (94%) agree that data security is extremely or very important, just over half (52%) are willing to share information with companies to receive rewards or
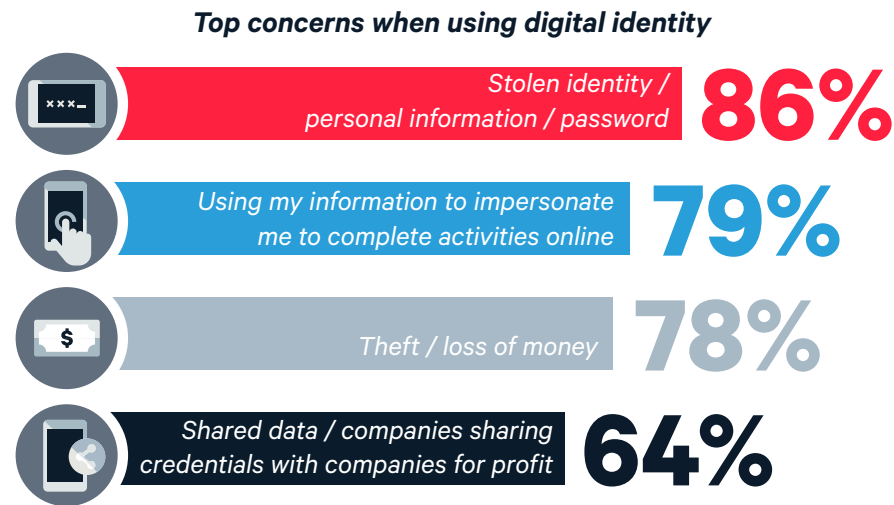
benefits, and 43%[11] enjoy the personalization they receive by providing information to companies. So, while security remains a top concern for digital identity users, consumers are willing to sacrifice some level of protection in order to receive greater benefits by sharing their personal data.

While consumers want to enjoy the benefits of sharing their data, nearly nine in ten (88%) respondents still want to be able to control identifiable information companies have about them — regardless of where they live. Accordingly, companies will need to balance the benefits offered through data sharing integrations with new security measures and permission requests to ensure users' data is not being shared without their consent. As self-sovereign identity grows in popularity, this will become more important than ever.

---

11   Strongly/somewhat agree on a 5-point scale

Consumers' concerns around using digital identity to access online platforms are focused on stolen identity and the risk of being impersonated online, followed by loss of money and sharing data for profit. Respondents ranked the following issues among their top concerns:

Top concerns when using digital identity

Stolen identity / personal information / password	**86%**
Using my information to impersonate me to complete activities online	**79%**
Theft / loss of money	**78%**
Shared data / companies sharing credentials with companies for profit	**64%**

"Half of customers using digital identity technologies have shown that while they are willing to sacrifice some level of security to reap greater rewards from their shared personal data, they are not willing to relinquish control over exactly what data is shared with businesses," explained Carnecchia. "That is especially true when users worry that their shared data could be used to steal their identity - surprisingly, even more than the risk of direct monetary loss. These concerns likely stem from the fact that a compromised or stolen identity can wreak havoc on someone's personal life, extending problems with financial dealings or later monetary loss for years to come."

While there is an appetite to further extend the reach of digital transactions, consumers still have concerns, highlighting the need for businesses to create secure and seamless verification processes for these interactions.

Mitek

Digital identity acceptance will grow with the adoption of sharing economy in-home services

Online marketplaces and the sharing economy continue to grow at an impressive rate. In fact, the sharing economy is projected to grow from $15 billion in 2014 to $35 billion by 2025[12]. From ridesharing to apartment rentals, the sharing economy is becoming ingrained in our everyday lives, fuelled by mobility, apps and the desire for convenience and speed.

The use of sharing and online marketplace apps is already widespread. Today, consumers are actively using digital identity for:

Online shopping **76%**

Travel & Hospitality **49%**

Peer-to-peer platforms like Venmo **48%**

Ride sharing **40%**

When we look to the future, on-demand services will no longer be limited to daily, out-of-home functions like ridesharing and vacation rentals. Instead, the next frontier will bring the gig economy into the home. As of now, consumers feel the most desire to use their digital identity in the future (outside of transportation) within:

- In-home services (Care.com, Wag, Rover, cleaning services): 16% of consumers currently use digital identity for these services, but another 48% wish to use it in the future

- In-home delivery services (Walmart's pilot delivery, Instacart, Postmates, UberEATS): 33% of consumers currently use digital identity, but another 36% wish to use it in the future

However, only 6% of consumers feel secure using their digital identity for in-home services and only 9% feel secure about using it for in-home delivery services. This represents a huge opportunity for companies to get ahead of these concerns.

12   "The Sharing Economy," PwC PricewaterhouseCoopers. December 2014. https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf

Mitek

"Online marketplaces that want to compete and win need to adopt identity verification methods that build trust and confidence with consumers," said Carnecchia. "By 2020, half of the world's population will be online, so it is no longer enough to rely on antiquated and less secure verification methods. Turning to advanced technology like AI and biometrics, companies have a responsibility to innovate, leverage consumer behavioral trends and utilize identity verification learnings to help secure the digital onboarding process. As consumers get more comfortable with digital transactions and try new in-home services, this will become more important than ever."

As access to these services expands from cities into more rural areas, rural respondents are showing a greater interest in using their digital identities to access services which typically aren't as accessible in remote regions. When asked which activities they would use their digital identity for in the future if able, rural respondents were more likely to select the following services than urban or suburban respondents:

Ride-sharing services

rural 37%   urban 28%

In-home delivery services

rural 37%   urban 31%
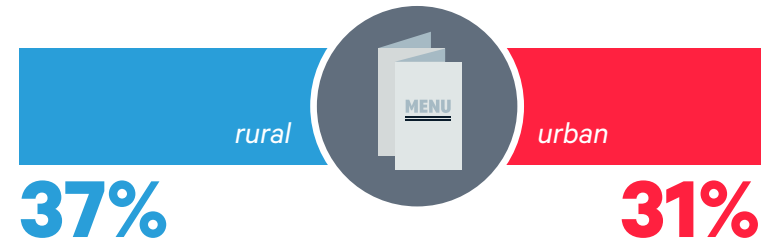
The desire to access these services highlights how our world is becoming increasingly connected, and consumers want the convenience that digital transactions provide.

Mitek

Organizations can address consumers' digital identity needs with more education and advanced technology

While perceptions of digital identity still vary among consumers, many are actively beginning to adopt it into their daily lives. Users recognize the range of benefits digital identity technologies offer, with faster and more convenient access to services and applications that they use every day. At the same time, however, many consumers remain wary of the potential security risks of having their identities stolen or data unwittingly shared by third parties when using digital identity technologies.

As organizations look to build digital identity verification solutions into their own offerings, they will need to balance consumers' growing appetite for convenience with concerns over privacy and security of their personal data. Accordingly, that will require organizations to invest in educating consumers on what is and isn't a reliable and trusted process when using a digital identity to onboard a new digital platform and exactly where and how that information is being shared. While identity cannot always be absolutely verified, high confidence in identity is crucial to protect consumers and their transactions.

As digital identity solutions continue to grow, becoming more widely adopted and increasingly sophisticated, both consumers and businesses stand to reap tremendous opportunities if they take the time to implement these solutions the right way, balancing convenience with risk and reward.

Mitek

Research Methodology

Mitek, in partnership with OpinionRoute, surveyed 1000+ respondents located in the United States and over the age of 18 on their awareness and use of digital identity. The survey was fielded from July 9-16, 2019, and included 40 questions on respondent's awareness, comfort level, usage, benefits and concerns about digital identity, as well as demographic information on respondent's location. Results were collected with an overall margin of error of +/- 3.1% at a 95% confidence level.