Internet Privacy: Interpreting Key Issues

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The phenomenal growth in Internet commerce in recent years has brought privacy concerns to the fore. Although privacy as a concept has been well understood with respect to brick and motor businesses, there is limited research in identifying major issues of concern related to Internet privacy. This paper systematically identifies the major Internet privacy concerns. Data for the study was collected through two panels and subjective evaluation.

INTRODUCTION

The Internet has transformed the way in which goods are bought and sold. Forrester Research predicts retail sales on the Internet to grow from less than 1 percent in 1999 to 6 percent by 2003. According to Gartner Group, convenience and time saved are two of the main incentives for users to buy online. At the same time, however, research conducted by Price Waterhouse Coopers suggests that during the 1999 Christmas season, 18% of all customers who purchased online were 'dissatisfied' with their experience. A Business Week/ Harris Poll (see *Business Week* of March 20, 2000) survey reported that 41% of online shoppers were very concerned over the use of personal information. Among the people who go online but have not shopped, 63% were very concerned. Clearly, as Keeney (1999) suggests, maximizing privacy is a fundamental objective related to Internet commerce.

The purpose of this paper is to identify issues related to maximizing Internet privacy. The paper is organized into five sections. Following a brief introduction, section two explores the notion of Internet privacy and how various researchers have attempted to understand the concept. Section three presents the study design. Section four is a discussion of research findings. Section five presents the conclusions.

INTERNET PRIVACY

Internet privacy can be defined as the seclusion and freedom from unauthorized intrusion. The key word in the definition is 'unauthorized'. Although we may not like that our personal information regarding our purchases and habits to be monitored and stored in databases around the country, we are at least usually aware that it's happening. However an unauthorized intrusion to collect personal data marks the beginning of privacy infringement. Various opinion polls have shown increasing levels of privacy concerns (Equifax, 1990, 1992). The 1992 Equifax study reports a survey indicating nearly 79% of the Americans being concerned about personal privacy and 55% suggesting that security of personal information was bound to get worse by year 2000. Indeed this has happened. Fairweather & Rogerson (2000) report that it is technically easier than ever before to gather and search vast amounts of personal data. Hence it has become easy to track individuals across the globe as they leave the data shadow behind – through the use of gas stations, cash machines, logging on to check email.

A March 1999 Federal Trade Commission (FTC) survey of 361 Web sites revealed that 92.8% of the sites were collecting at least one type of identifying information, such as an address. Furthermore 56.8% of the sites were collecting at least one type of demographic information. The FTC study also found that over one third of the sites did not have a privacy disclosure notice on the site. Even in cases where the privacy disclosure notice had been posted, only 13.6% were following the FTC's fair information practice guidelines.

Previous literature on privacy - not necessarily Internet privacy–has critiqued the majority of opinion surveys based on the assumption that information privacy is not a uni-dimensional construct, i.e., focusing on the level of concern alone, rather than understanding the nature of concern. In response, Smith et al. (1996) suggest four dimensions of the construct "individuals' concerns about organizational practices in managing information privacy." These factors were: collection, unauthorized secondary use, improper access, and errors. Smith et al.'s (1996) research, although providing a very useful instrument to measure individuals' concern about information privacy, does not necessarily consider privacy issues in relation to Internet use. Clearly the use of the Internet to conduct business has gained prominence in recent years and the converging trends, competitive and technological, pose interesting privacy challenges (cf. Culnan & Armstrong, 1999).

There are two reasons for an increased importance of Internet privacy concerns, as opposed to simple information privacy issues relevant to any brick-and-mortar business. First, the increasingly competitive business environment is forcing companies to collect a vast amount of personal information. Many a time there is good intent in doing so, since many businesses may seriously want to customize their products and services for the benefit of the consumer. However the security of personal data and subsequent misuse or wrongful use without prior permission of an individual raise privacy concerns and often end up in questioning the intent behind collecting private information in the first place. Second, the advances in information technology have not only made it possible to record personal information at the point of sale, but also map the patterns of online behavior. Although this is a useful marketing ploy (Bessen, 1993; Glazer, 1991), it certainly overwhelms the customer and hence there are numerous privacy concerns. Similar issues about overwhelming the customer through excessive use of technology have been voiced in the literature (see Dhillon & Hackney, 1999; Ciborra, 1994).

With respect to the two reasons identified above, the question of fairness in collecting personal information needs to be understood adequately. Fairness, with respect to Internet commerce, can be considered at two levels. As Glazer (1991), and Milne & Gordon (1993) contend, fairness could either be a component in the 'social contract' or related to the procedure followed for a particular activity (Lind & Tyler, 1988; Folger & Bies, 1989). When individuals willingly disclose personal information for non-monetary gains, such as higher quality service, privacy concerns are limited as long as the concerned organization upholds its side of the social contract. Individuals will clearly continue engaging in the social contract as long as the benefits exceed the risks, to a point where an individual begins trusting the organization. This is evidenced by many of the new generation Internet businesses. Barnesandnoble.com and Yahoo, for example, have clear-cut privacy policies, thereby facilitating in developing trust over a period of time. On the other hand ediets.com believes in overwhelming the customer with emails and offers once personal details have been recorded.

Fairness is also linked to the procedure that might be followed in a particular activity. Clearly fairness of the procedure, as opposed to the nature of the outcome (Lind & Tyler, 1988), is a clear determinant of the level of privacy concern an individual might have. Some Internet businesses are now beginning to place importance on procedural fairness. In many cases the Web sites first give a notice as to why personal information is being collected, its usefulness and the manner in which it would be kept secure, then the consent is sought as to the manner in which an individual's personal information would be used. As would be evident, procedural fairness is closely coupled with social contract and trust. If an individual feels that in spite of procedural fairness, the social contract in the exchange of private information is not maintained, it would clearly lead to loss of trust and integrity of the organization. On the other hand if an individual willingly gives private information in lieu of some social or economic benefit, but the procedure used in collecting and maintaining the information is not fair, again it would lead to concerns about privacy infringement, trust and integrity of the process.

Given an understanding of various aspects of Internet privacy, as discussed in the literature, our intention is to understand the various issues that could be of potential concern for individuals. The next section describes the multi-method adopted to identify such issues.

STUDY DESIGN

In identifying issues related to individuals' concerns about Internet privacy, we set out to use a combination of two methodological approaches. The first relates to steps 1 and 2 as described by Schmidt (1997) while the second is related to the identification of means and fundamental objectives as described by Keeney (1999). A combination of these two approaches helped us to generate a list of issues that are of significant concern for individuals with respect to Internet privacy. Further research would enable us to validate the preliminary list and develop an instrument that would be useful in assessing the level of Internet privacy concern for an individual with respect to a particular online business.

This study was designed to span two main phases. Phase one followed Schmidt's (1997) approach to (a) discover relevant issues and (b) determine the most important issues. Phase two of the study followed Keeney (1999) in identifying the fundamental Internet privacy objectives of individuals and means objectives in achieving the fundamental Internet privacy objectives. Essentially Keeney's concepts were used to classify the output of Schimdt's second step.

Keeney (1999) stresses the importance of defining a decision context when identifying the objectives. He contends that the fundamental objectives together with the deci-

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