

Chapter IX

Implementation of Privacy Protection Policies: An Empirical Perspective

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Abstract

Based on U.S. census data, more than three quarter of Internet users are concerned about having control over the release of their private information when using online services. To ease consumers' concerns, the Internet industry has come up with self-regulatory practices. The effectiveness of self-regulatory practices and the commitment of the Internet industry to online privacy are yet to be evaluated. The questions regarding self-regulation, what it means from the industry point of view, and to what extent it is implanted remains unclear. This study is exploratory in nature and attempts to examine privacy issues in the context of fair information practices and how they are perceived and practiced by the top 500 interactive companies in the United States. Our results confirm that most companies ask for consumer trust by claiming benevolence. However, they fall short when it comes to costly implementations of comprehensive privacy protection policies.

Introduction

The e-commerce phenomenon, in conjunction with other advancements in technology, has promoted the development of entire information systems dedicated to analyzing and finding patterns among personal data (Cranor, 1999). Customer relationship management; business intelligence and knowledge management; and mass customization are some of the areas that rely on personal data and used by corporations to serve customers better while helping companies reach their profit targets. The bottom line is that the advanced technology allows consumers to search for information and make transactions online with unprecedented ease while the aggregation of data that makes this service possible also allows significant profiling of Internet users.

Businesses argue that mining personal information is used to advance customer convenience via personalization and mass customization, while furthering their own business objectives (Flammia, 2000). Balancing consumers' rights to privacy and the move to a dossier society—in which the corporate world wants to know everything about the individual and base many of its business decisions upon these presumed facts—is not easy. Privacy advocacy groups have a spectrum of concerns ranging from the collection of information in the first place to how it is aggregated and used, and its disclosure and security. They fear the risks of secondary use by entities outside of the corporation and profiling. National and international apprehensions have been expressed in widely disparate edicts about personal privacy data and the means of its safe handling (Bennett, 1992; Bygrave, 2002; Reidenberg, 2000).

Despite this tension between the interests of the consumer and those of the e-commerce operation, the overall Internet-based economy is on the rise. By the end of 2005, the number of Internet users worldwide reached 1.08 billion and is expected to attain 1.8 billion by 2010 (Clickz, 2006).

Additionally, the value of goods and services bought and sold over the Internet is increasing exponentially; in 2002 it exceeded \$2 billion, a 50% rise from 2001 (Rohde, 2002) and in the October-December 2005 period, purchases over the Internet, by e-mail, or through other electronic networks rose to a seasonally adjusted \$22.94 billion (Reuters, 2006).

According to the Forrester Research Group (2005), the U.S. will continue to lead the global e-commerce market. They also predict that traditional “brick-and-mortars” will become the dominating players. Powerhouses such as Federated Department Stores, General Electric, American Airlines, Southwest Airlines, and Staples have entered the online trade and are changing the dynamics of e-commerce (McCormick, 2000). The presence of traditional companies with their established brand names creates a tough and competitive environment. Industry leaders such as Orbitz and American Airlines, originally distanced themselves from e-commerce, but are trying to regain their leadership position with their strong online presence in the airline

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