Chapter X

Online Privacy:
Consumer Concerns and
Technological Competence

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Abstract

The primary research objectives of this chapter are to: (a) investigate consumer attitudes to the invasion of online privacy, and (b) discover coping strategies used by consumers when they are online. Using a grounded theory approach, a framework of how consumers deal with online privacy concerns was developed from the analysis of six focus groups across gender and age segments. The framework suggests that people differ in their level of self-perceived technological competence (SPTC), which in turn determines their level of concern and coping strategies used. We define SPTC as a subjective self-rating of how much individuals know about technology, and how comfortable they feel with it. The level of SPTC appears to differentiate the online behaviors and privacy concerns of consumers. People with low levels of SPTC tend to be more concerned about privacy invasion, feel more comfortable with offline interactions, reduce their Internet usage, and seek regulatory solutions to privacy invasion threats. People with higher levels of SPTC are more willing to accept the risks
of being online, and tend to be cautious in their online dealings without foregoing the benefits of the Internet. This group is also more likely to know about and use features such as security locks, and Internet seals of approval.

Consumer Concerns and Technological Competence

The emergence of the Internet and Web-based technologies has enabled many marketers to customize their product and service offerings, and build one-to-one relationships with customers through the use of databases. Marketers can also use data mining techniques to personalize marketing communication messages to make them more relevant to individual consumers. In order to do this, however, marketers need to acquire data about current and potential customers. The ease with which such data can be acquired and disseminated across the Internet has led to growing concerns about whether consumers can safeguard their personal data and protect their privacy online. These concerns have been heightened due to the experience of e-mail boxes being inundated with unsolicited commercial messages (Spam).

Besides annoyance at the increased amount of irrelevant e-mail, consumers are concerned about more serious forms of privacy invasion, such as identity theft and misuse of credit cards and bank accounts. According to the Direct Marketing Association (DMA), “the issue of privacy is receiving unprecedented attention in Washington, D.C.--the most of any time in our 30 years with this issue” (Crowe, 1998). Thus, privacy is an issue that is of concern to: (a) consumers, (b) regulators and framers of public policy, and (c) organizations that need to overcome consumers’ fears about privacy so that they can gather data in order to improve marketing efforts.

The government has responded to growing public concerns by enacting tough privacy protection measures, including an anti-Spam bill that was passed in the House in late November 2003 (Hulse, 2003). Judging from the popularity of the do-not-call list to debar telemarketers that was initiated in 2003, such legislative measures are likely to resonate with lawmakers and consumers, while at the same time raising concerns among some marketers who fear that they might be denied access to an important means of generating sales leads.

The intense media focus on privacy issues leads one to wonder whether such attention has had an agenda-setting effect, resulting in an intensification of privacy concerns among consumers. The classic formulation of agenda-setting theory states that while news media may not tell the public what to think, they are quite effective in telling the people what to think about (Cohen, 1963). More recently, agenda-setting scholars have argued that the influence of news media goes even further, in terms of framing issues and therefore telling the public how to think about an issue (McCombs and Shaw, 1993). If privacy concerns are indeed heightened among consumers, what aspects of privacy are people most concerned about, and how do they deal with these concerns without giving up their online activities altogether?
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