



Chapter 1

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.

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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

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