



Chapter X

Implementing Privacy Dimensions within an Electronic Storefront

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ABSTRACT

Many electronic businesses will attempt to distinguish themselves from their competition and gain a competitive advantage by customizing their Web sites, in order to build a strong relationship with their customers. This will require the collection and use of personal information and data concerning the customer's online activities. Although new technologies provide an opportunity for enhanced collection, storage, use, and analysis of this data, concerns about privacy may create a barrier for many electronic businesses. For example, studies suggest that many people have yet to shop or provide personal information online due to a lack of trust. Moreover, many others tend to fabricate personal information. To this end, many electronic businesses have attempted to ease customers' concerns about privacy by posting privacy policies or statements, or by complying with a particular seal program.

Recently, the Federal Trade Commission has proposed four privacy dimensions that promote fair information practices. These dimensions include: (1) notice/awareness, (2) access/participation, (3) choice/consent, and (4) security/integrity. An electronic storefront was developed to include these privacy dimensions as part of a study to learn how privacy influences trust and, in turn, how trust influences behavioral intentions to purchase online. The empirical evidence from this study strongly suggests that electronic businesses can benefit by including these privacy dimensions in their Web sites. This chapter will focus on how these dimensions can be implemented within an electronic storefront.

INTRODUCTION

Even after the rise and fall of the dot-coms, e-commerce activities on the Internet are still thriving, as both small and large organizations try to reach potential customers online. For example, IDC forecasts more than \$5 trillion throughout the next four years will be invested in developing more efficient modes of conducting e-business worldwide (IDC, 2001).

Many e-businesses today are attempting to distinguish themselves from their competition by strengthening the relationship with their customers. This means getting to know their customers' buying habits and preferences, so that an e-company can customize the online buying experience to better meet its customers' needs. Subsequently, the online daily receipts and banner ad click-throughs provide a base of data that is becoming a valuable asset for many e-businesses. The pronouncement is, "get inside your customer's heads (and their wallets too)" (VanScoy, 2000).

However, many people have yet to shop, or even provide personal information, online, due to a fundamental lack of trust. According to Hoffman and Novak (1999), almost 95% of Web users decline to provide personal information to Web sites at one time or another, when asked. Moreover, 40% of those who do provide personal information online go to the trouble of fabricating it. It appears that many customers simply do not trust most Web sites enough to engage in activities that involve the exchange of their personal information.

In addition, opinion polls have shown an increasing level of concern about privacy (Smith et al., 1996). In fact, a recent study by *Purchasing* magazine showed that, on a scale of 1-10, the level of concern about online privacy returned a weighted average rating of 7.6, with 67% of customers putting their concern level between 8 and 10 on the scale (Porter, 2000). Obviously, this concern will become heightened even more as more customers engage in e-commerce activities that collect personal information. Even though customers may benefit substantially from online information gathering, concerns about privacy are on the rise and create barriers for successful e-business (Mendel, 1999; Stepanek, 1999; Kleinbard, 2000; Green et al., 2000).

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