

Chapter XII

Online Privacy and Marketing: Current Issues for Consumers and Marketers

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ABSTRACT

Marketing practices have always presented challenges for consumers seeking to protect their privacy. This chapter discusses the ways in which the Internet as a marketing medium introduces additional privacy concerns. Current privacy issues include the use of spyware and cookies, word-of-mouth marketing, online marketing to children, and the use of social networks. Related privacy practices, concerns, and recommendations are presented from the perspectives of Internet users, marketers, and government agencies. The chapter concludes with a discussion of the ways in which consumers' privacy concerns, as they apply to Internet marketing, would benefit from additional research..

INTRODUCTION

Privacy has once again become the price computer users pay for their use of the information technology infrastructure — Mathias Klang, 2004

The Internet is a marketer's dream come true. No other medium comes close to providing the

two-way communication, vast global reach, cost effectiveness, and tracking capabilities of the Internet. The Internet may well be on its way to becoming the medium of choice for advertising and promotion of both consumer and B2B (business to business) products and services. But all media have advantages and disadvantages and despite the efficiencies and effectiveness of Internet

marketing, privacy and security concerns continue to dominate use of the Internet for marketing purposes (Hoffman, Novak, & Peralta, 1999).

The marketing industry has long raised many issues for privacy advocates, even before the emergence of the Internet as a marketing medium (Ashworth & Free, 2006; Culnan, 1995; Jones, 1991). Today, the ease with which marketers can track users' preferences and behaviors to serve them personalized advertisements represents a brave new world of privacy issues. The magnitude of data collection on the Internet is enormous and the FTC has estimated that up to 92% of Web sites collect personal information (FTC, 1998). Privacy issues as they apply to the marketing arena are especially challenging: What could be more personal and potentially damaging to consumers than the unauthorized sharing of credit or debit card numbers or public knowledge about one's medical information or purchases, for example?

The focus of this chapter is Internet privacy in the context of consumer marketing. The chapter will provide insights into the ways that online privacy has become a balancing act in which the needs of businesses are oftentimes balanced against the needs of consumers. A number of privacy issues that affect the marketing of products and services will be presented, along with recommended best practices. The marketing/privacy issues to be discussed in this chapter are: (1) consumer, marketer, and government perspectives on data collection, ownership, and dissemination; (2) online advertising and the use of cookies and spyware; (3) word-of-mouth marketing and the use of blogs, sponsored chat, and bulletin boards; (4) marketing online to children; and (5) privacy issues in social networks and online communities.

There is currently a gap in the literature regarding specific online marketing techniques and privacy issues that impact marketers and consumers alike. Much of the marketing literature to date has focused on regulations, public policy, and consumer attitudes toward privacy. This chapter represents one of the first analyses

of online marketing practices and their associated privacy issues. Managerial issues and suggested marketing best practices are also provided.

THREE PERSPECTIVES ON ONLINE PRIVACY, DATA COLLECTION, AND DATA OWNERSHIP

There is consensus about the importance of online privacy among Internet users, marketers, and government agencies. Online privacy was a concern of 81% of Internet users and 79% of consumers who buy products on the Internet, according to a tracking study by the U.S. Department of Commerce (Oberndorf, 1998). Marketers' privacy concerns are reflected in the fact that approximately 77% of Fortune 500 companies posted a privacy statement on their Web site (Schwaig, Kane, & Storey, 2005). In addition, government agencies play an important role in the regulation of the medium, and lawmakers continue to pass laws to increase online protection. Background information about key U.S. laws regulating privacy in marketing can be found in Table 1.

Nevertheless, consumers, marketers, and the government can present different, and sometimes competing, perspectives on Internet privacy issues such as data collection, ownership, and dissemination. For example, the consumer hopes

Table 1. Online privacy legislation affecting marketing on the internet

Act	Year	Description
Privacy Act	1974	Forbids government from gathering or maintaining secret information about people without a lawful purpose.
Communications Decency Act	1996	Regulates indecency and obscenity on the Internet.
Children's Online Privacy Protection Act	1998	Provides rules and guidelines for online information collected from children.
CAN-SPAM Act	2003	Establishes standards for commercial email use.

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