

Chapter VI

Strength of Privacy Policy Statements and Consumer Trust

Dane K. Peterson

Missouri State University, USA

David B. Meinert

Missouri State University, USA

John R. Criswell II

Columbia College, USA

Martin D. Crossland

Oral Roberts University, USA

ABSTRACT

Privacy policy statements are one of the more commonly used techniques to alleviate consumers' concerns about information privacy which is generally considered one of the primary obstacles to the success of e-commerce. This exploratory study examined the willingness of individuals to provide various types of personal information given varying degrees of protection offered by privacy policy statements. The results demonstrated that the willingness to provide information to Web merchants increased as the level of privacy guaranteed by the statements increased. More interestingly, increasing levels of privacy promised by the statements had the greatest influence on individuals with prior familiarity with policy statements. The results also demonstrated that while most individuals were aware of privacy policy statements, less than half of the respondents had ever read a privacy statement.

INTRODUCTION

Increased Internet availability, reduced access costs, faster modem connections, greater process-

ing power, and increased computer competence among consumers worldwide has created enormous growth potential for the rapidly expanding e-commerce industry (Kolsaker & Payne, 2002).

However the growth of e-commerce has been accompanied by an increased ability of Web merchants to gather, compile, and sell personal information about individual consumers without their consent (Kelly & Rowland, 2000). As a result, consumers' concerns regarding information privacy have become a major obstacle for many Web merchants as demonstrated by a survey reporting that information privacy was the main reason individuals were reluctant to engage in e-commerce transactions (Mercuri, 2005).

The emergence of Web site privacy policy statements in the late 1990s was a direct response to consumer concerns regarding information privacy. While privacy policy statements vary considerably in terms of protection afforded and enforcement, the intent is consistent—to increase consumer trust and, concomitantly, intention to consummate transactions via the Web. While privacy policy statements are ubiquitous, limited empirical research has been conducted to examine their impact on consumer trust. Use of privacy policy statements is a relatively new phenomenon, and examination of their use and implications is just beginning to be explored (Culnan, 1999; Grewal, Munger, Iyer, & Levy, 2003; Liu & Arnett, 2002; Luo & Najdawi, 2004; Miyazaki & Fernandez, 2000; Pennington, Wilcox, & Grover, 2003; Ranganathan & Ganapathy, 2002). To date, the literature on this topic has been limited to chronicling rates of utilization and variability in content and investigating the general impact of the presence or absence of such statements (Markel, 2005). The aim of this exploratory study was to develop further understanding of the efficacy of privacy policy statements to increase consumer trust. This study was intended to provide a preliminary understanding of the extent to which, if any, the strength (protection afforded) of privacy policy statements influences consumer willingness to provide personal information via the Web. As an exploratory study, three specific research questions were examined:

1. Do variations in the levels of protection provided by privacy policy statements influence consumer willingness to provide information?
2. What types of information are consumers willing to submit to Web sites given various levels of promised privacy?
3. Does *a priori* familiarity with privacy policy statements influence consumer willingness to provide information online?

By addressing these questions, this study aims to contribute to the knowledge and understanding of the efficacy of privacy policy statements. The findings, while considered preliminary given limitations in the scope of the study, should be of interest to both practitioners and academicians. The findings provide organizations employing privacy policy statements on their Web sites with greater insight into the influence of alternative forms of such statements. This is particularly true for those organizations whose Web sites are targeting younger, well-educated, and affluent consumers, the sampling frame utilized in this study. For academicians and other researchers, the findings demonstrate the potential for research on the relationship between privacy policy statements and consumer trust.

To address these research questions, this article reports the results of a survey designed to measure the impact of privacy policy statements on consumer willingness to provide varying types of information online. First, the article examines previous research to develop a basis for this investigation. This literature review necessarily examines findings related to consumer trust in e-commerce and methods for increasing consumer trust. The literature review is followed by a discussion of the levels of protection provided by privacy policy statements and the types of information typically requested by Web sites. Next, the purpose of the study is outlined in the context of the literature review. Third, a method section is presented that describes the data collection,

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