

Chapter 8

Consumer Responses to the Introduction of Privacy Protection Measures: An Exploratory Research Framework

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ABSTRACT

Information privacy is at the center of discussion and controversy among multiple stakeholders including business leaders, privacy activists, and government regulators. However, conceptualizations of information privacy have been somewhat patchy in current privacy literature. In this paper, we review the conceptualizations of information privacy through three different lenses (information exchange, social contract and information control), and then try to build upon previous literature from multiple theoretical lenses to create a common understanding of the organization-consumer information interaction in the context of Business-to-Consumer electronic commerce (B2C e-commerce). We argue that consumers' privacy beliefs are influenced by the situational and environmental cues that signal the level of privacy protections in a particular environment. The framework developed in this research should be of interest to academic researchers, e-commerce vendors, legislators, industry self-regulators, and designers of privacy enhancing technologies.

INTRODUCTION

As information technologies increasingly expand the ability for organizations to store, process, and exploit personal data, privacy is at the center of discussion and controversy among multiple stakeholders including business leaders, privacy activists, and government regulators. Studies sug-

gest that the loss of consumer confidence related to privacy fears has already hindered the growth of Business-to-Consumer electronic commerce (B2C e-commerce) by tens of billions of dollars (Cavoukian & Hamilton, 2002). Governments throughout the world are taking notice, and in many jurisdictions there has been a concerted effort to restore confidence in e-business with data protection legislation as a complement to industry self-regulation. As such, information privacy has

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become a business issue, a social issue and a legal issue—increasingly difficult to ignore.

Although the term such as “Information Privacy in the E-Business” or “Consumer Online Privacy Concerns” has been considerably hyped in the media, conceptualizations of information privacy have been somewhat patchy. In the privacy literature, there are some difficulties in defining common ground of information privacy and such challenge will likely become more pronounced in the next few years. According to a 2007 study sponsored by the National Research Council (Waldo, Lin, & Millett, 2007), the relationship between information privacy and society is now under pressure due to several factors that are “changing and expanding in scale with unprecedented speed in terms of our ability to understand and contend with their implications to our world, in general, and our privacy, in particular” (p.27). Factors related to technological change (e.g., data collection, communications), to societal trends (e.g., globalization, cross-border data flow, increases in social networking) are combining to force a reconsideration of basic privacy concepts and their implications (Waldo et al., 2007). Therefore, rather than drawing on a monolithic concept of privacy from a single theoretical lens, we try to build upon previous literature from multiple theoretical lenses to create a common understanding of the organization-consumer information interaction in the B2C e-commerce context. Exploration of the influences and outcomes of the organization-consumer information interaction is particularly important in discussing organizational privacy protection strategies, as these are so often confused in technical design, websites’ data collection practices and consumers’ privacy perceptions.

Drawing on the marketing, social-psychology, and economics theories, we examine the information privacy phenomenon through three different theoretical lenses. The first lens, referred to as the *information exchange* lens, conceptualizes privacy as a “privacy calculus” which contributes to the understanding of the trade-offs that consumers are

willing to make when they exchange their personal information for certain benefits. The second lens, referred to the *social contract* lens, frames the discussion of the bond of trust between organizations and individuals over information privacy. The third lens, referred to as the *information control* lens, emphasizes the role of control perception in explaining the privacy phenomenon. We apply each lens separately to discuss the conceptualizations of information privacy and to explore factors influencing consumers’ privacy concerns and their responses to the introduction of various privacy protection measures. This exploratory research framework will serve as a starting point for further research on conceptualizing information privacy in details.

INFORMATION PRIVACY IN B2C E-COMMERCE

Multiple Conceptualizations of Privacy

Continued advances in information technology in general and the growth in the adoption of e-commerce specifically, further facilitate the collection, storage, distribution, and use of personal information. The rise of identity theft and privacy breaches, along with highly publicized digital surveillance based on accessing public record files as well as personal profiles posted on social networking sites, makes the potential intrusion of privacy a more critical and acute concern (Westin, 2003). In the B2C e-commerce, “the technology-based business model of the 1990s—we must know you to serve you—came into fundamental collision with the now dominant consumer model—let me decide what you know about me, thanks” (Westin, 2003, p.442).

Although various definitions of privacy have been given in the literature, the notion of privacy is still fraught with multiple meanings and interpretations. Since 1960s, privacy has been generally

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