

Consumers & Privacy In the Coming Decade

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US Policy for Online Privacy

- FTC's Approach
 - Self-regulation
 - Notice, Choice, Security, Access, Accountability
 - Children's Privacy
- Assumes that with good info, we will make good choices

But is it working?

- People care about privacy
 - But many don't read privacy policies or opt out
- They take actions to protect privacy
- Many factors frustrate individuals' intent
- And these problems could get worse, as info collection becomes more sophisticated and silent

Consumers care about privacy.

“I am nervous about websites having information about me.”

- 2003: 70% agreed or agreed strongly
- 2005: 79% agreed or agreed strongly

Consumers see both business and government as privacy threats.

- 92% commercial marketers
- 83% government

The use of the term “privacy policy” sets consumer expectations

“When a website has a privacy policy, it means the site will not share my information with other websites or companies.”

- 2003: 57% agreed or agreed strongly
- 2005: 59% said it was true

Beyond this basic misconception,
consumers hold many
misunderstandings about
marketplace practices
online and offline.

True/False statements

- Most online merchants give me the opportunity to see the information they gather about me. (F—**47% wrong**)
- Most online merchants allow me the opportunity to erase information they have gathered about me. (F—**50% wrong**)

- A website is allowed to share information about me with affiliates without telling me the names of the affiliates. (T—49% wrong)
- When I give personal information to a bank, privacy laws say the bank has no right to share that information, even with companies the bank owns. (F—73% wrong)

- When I give money to charity, by law that charity cannot sell my name to another charity unless I give it permission. (**F—72% wrong**)
- It is legal for an online store to charge different people different prices at the same time of day. (**T—62% wrong**)
- It is legal for an offline store to charge different people different prices at the same time of day. (**T—71% wrong**)

Consumers also believe that many common practices shouldn't be acceptable.

85% reject common tracking, info extraction, and sharing models used on the internet, when explained

Consumers try to protect privacy.

- 75% adopted at least one privacy protection strategy.
 - Percentage who adopted at least 4 privacy-protecting tactics:
 - Privacy “unconcerned” 46%
 - Privacy “pragmatists” 65%
 - Privacy “fundamentalists” 75%
- Westin (June 2004)

Notice helps...but bad decisions are still pervasive.

EULAs, which are generally not read, fail to impart key terms; individuals report high levels of regret in decisions based upon them.

Short notices are better, but a high percentage of individuals still regretted decisions.

Psychological and economic barriers explain bad choices.

- Notices are written for attorneys
 - Short notices are more effective, but still result in regretted choices
- Information Asymmetry
 - Enticements of “free” services are made without disclosing cost of privacy risks
 - Users need to know what cannot be done with their data

The barriers indicate a need for a helping hand.

- Bounded rationality
- Delayed consequences
- Immediate gratification
- Some assistance is needed to effectuate intent!

Severe network-wide, negative consequences loom.

Reliance on notice and consent EULA based model rather than a normative framework is undermining our ability to act and communicate decisively about spyware

The network effect is unacceptable

- Botnets
- DDOS

And things may get worse.

- Next generation of technologies
 - Data collection becoming invisible and passive (think cookies in the physical environment)
 - Data collection may become ubiquitous (will we need mylar clothing?)
- Unless proactively addressed consumers will be unable to make choices

“Privacy Policy” means
something to consumers.

We should act on that meaning.

In the next *techade*, the FTC must confront:

- Enforcing opt-in in privacy policies
- Education *and* baseline protections
- The need for usability and other experts at the table
- The need for benchmarks