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Seeking Profits, Internet Companies Alter Privacy Policy

By SAUL HANSELL

Pressed for profits, Internet companies are increasingly selling access to their users' postal mail addresses and telephone numbers, in addition to flooding their e-mail boxes with junk mail.

Yahoo ([news/quote](#)), the vast Internet portal, just changed its privacy policy to make it clear that it has the right to send mail and make sales calls to tens of millions of its registered users. And it has given itself permission to send users e-mail marketing messages on behalf of its own growing family of services, even if those users had previously asked not to receive any marketing from Yahoo. Users have 60 days to go to a page on Yahoo's Web site where they can record a choice not to receive telephone, postal or e-mail messages in various categories.

Similarly, when Excite, another big Internet portal, was sold in bankruptcy court late last year, the new owner asked Excite users to accept a privacy policy that explicitly allows it to rent their names and phone numbers to marketing companies. (Those users, too, could check a box on the site to opt out of such programs, if they had not already done so on the old Excite.)

The sites say that direct marketing to their users, both by e-mail and by older means, is an important source of revenue that can help make up for the rapid decline in sales of online advertising.

"It has been our orientation from the beginning to be straightforward with the user," said Bill Daugherty, the co-chief executive of the Excite Network. "They are getting free content and utility that is unparalleled, and in return we will be marketing products to them."

But even many marketing experts say that the risk to the reputations of these companies may outweigh any revenue they may receive.

"What Yahoo has done is unconscionable," said Seth Godin, Yahoo's former vice president for direct marketing. "It's a bad thing, and it's bad for business. They would be better off sending offers to a million people who said they want to receive a coupon each day than to send them to 10 million people and worry about whether you have offended them by finally going too far." While at Yahoo, Mr. Godin published "Permission Marketing" (Simon & Schuster, 1999), which argued that marketing messages should be sent only to people who ask to see them.

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Both Yahoo and Excite say they are not loosening their privacy policies, just making them more explicit. In the past, both companies simply asked users to check a box authorizing the Web sites to "contact" them with marketing messages. The sites assert that such wording did not rule out mail and telephone contacts in addition to e-mail messages.

Privacy experts say such a legalistic interpretation of the privacy policy is at best misleading because, in practice, almost all contact from the sites has been by e-mail. "It's unfair," said Mark Rotenberg, executive director of the Electronic Privacy Information Center. "People thought they were going to get e-mail solicitations. They didn't expect that their dealings with Yahoo would cause them to receive phone calls."

Both Yahoo and Excite say they have not actually used users' phone numbers for any marketing programs so far and have made relatively few mailings to members.

Other sites have been much more liberal in renting customer names. America Online, the biggest Internet service, has long rented customer addresses, and it also calls users to promote its services and those of its business partners. Lycos, the big Internet portal, and CNET's ZDNet, a technology site, also rent users' names through mailing-list brokers.

For example, Direct Media, a mailing list broker in Greenwich, Conn., offers access to 2.9 million Lycos users at a cost of \$125 per thousand names for a single mailing. (An extra \$15 per thousand lets marketers select users showing an interest in a topic like cats or gambling.) Advertisers typically pay for the right to send a single mailing or make a single phone call to a name on a list they rent; they do not own the information outright.

Stephen J. Killeen, the United States president of Terra Lycos ([news/quote](#)), the parent of the Lycos portal, said mailing list rentals were a small but growing part of its marketing revenue. It does not yet rent phone numbers, a service that has a smaller market. "We look at ourselves as a way to match the right consumer with the right product, whatever the medium," Mr. Killeen said. "A lot of advertisers are looking at the Internet as part of integrated marketing campaigns."

The privacy policy of Microsoft ([news/quote](#))'s MSN portal lets it send mail and make phone calls to customers on behalf of advertisers, but it has yet to do so. Microsoft lets users specify whether they do not want marketing via e-mail, postal mail or phone.

"We value our customers' privacy," said Brian Gluth, a senior product manager at MSN, "and we have never changed a customer's preference of opt-in or opt-out, like some of our competitors have done."

In many ways the Internet is simply joining the mainstream of American business, where the names of people who subscribe to magazines and who buy from catalogs are freely traded.

Steven Sheck, the president of Infinite Media, a mailing list broker in White Plains, said he was seeing an increase in the number of Web sites renting access to users' names.

"Given the state of the economy," he said, "Internet companies are looking at their customer lists as an asset with which they can generate revenue."

Yahoo says its move to send mail and make calls to users on behalf of advertisers is far more limited than simply renting its customer file to companies with no relationship to Yahoo. It compares itself with American Express ([news/quote](#)), which has long sent offers to cardholders for its own services, like insurance, and for those of other companies, like airlines and department stores.

"To the extent we have been successful," said Lisa Nash, Yahoo's director of consumer and direct marketing, "it's because we have been extremely respectful of our users' time. We fully plan to continue that." She said the company had no immediate plans to start telemarketing programs, but she added, "We intend to have maximum flexibility."

Ms. Nash said, however, that Yahoo's biggest objective in its new policy was to give it more freedom to sell its own services rather than those of its advertisers. Yahoo has been trying to recover from the slowdown in online advertising by introducing a raft of new fee-based offerings, like online games and expanded e-mail services.

Unlike other sites, Yahoo has never asked users specifically if they want to receive information about its own services. Rather, it has asked a single question authorizing it to send both messages for Yahoo services and messages for advertisers (which include Columbia House and the Discover Card, offered by a unit of Morgan Stanley Dean Witter ([news/quote](#))).

Now Yahoo has sent tens of millions of users e-mail messages saying that it has given itself permission to send messages on behalf of its own services. Users have 60 days to go to a section of the site ([subscribe.yahoo.com/showaccount](#)) and reject such messages in 13 categories — one by one. The categories range from games to job hunting.

The distinction between messages from Yahoo and those from advertisers is not always clear because many companies do business under the Yahoo umbrella. Yahoo's travel channel, for example, is largely a Yahoo-brand version of the Travelocity ([news/quote](#)) online travel agent. Similarly, a message about back-to-school specials on Yahoo's shopping channel, for example, could well be paid advertising from some of the more than 10,000 stores in Yahoo's online mall.

"We believe in the products and services we offer," said Srinjia Srinivasan, vice president and editor in chief at Yahoo. "Our network has grown so much we want to tell users about them."

Truste, a nonprofit group financed by Internet companies that creates standards for privacy policies, agreed to endorse Yahoo's move after an extended

discussion with the company. "I would not call what Yahoo did 'best practices,'" said Fran Maier, the group's executive director. "To the extent possible, you would like companies to honor the preferences that were previously set by the users. But on the other hand, we don't want to tell companies they can't do something when their business strategy changes. We have to balance those things."

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