

# FTC Presentation on Cookies & Consumer Permissions

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# U.S. Consumers' Perceptions about Privacy

- Our research has determined that consumers can be characterized as follows in terms of how important the protection of their personal information is. We refer to these groups as privacy centric, privacy sensitive and privacy complacent (defined below).
- This classification is based on several independent studies conducted by Ponemon Institute. Meta analysis revealed the following pattern of privacy preferences for adult-aged Americans.
  - **About 8%** of Americans appear to be *privacy-centric*. Daily events that reduce confidence in their sense of privacy or the safety of their sensitive personal information will have a significant impact on their actions.
  - **About 72%** of Americans appear to be *privacy-sensitive*. Privacy is important to them, but they will not change their behaviors or information sharing practices.
  - **About 20%** of Americans appear to be *privacy-complacent*. They really don't care very much about the sharing or selling of their most sensitive personal information, such as Social Security numbers.

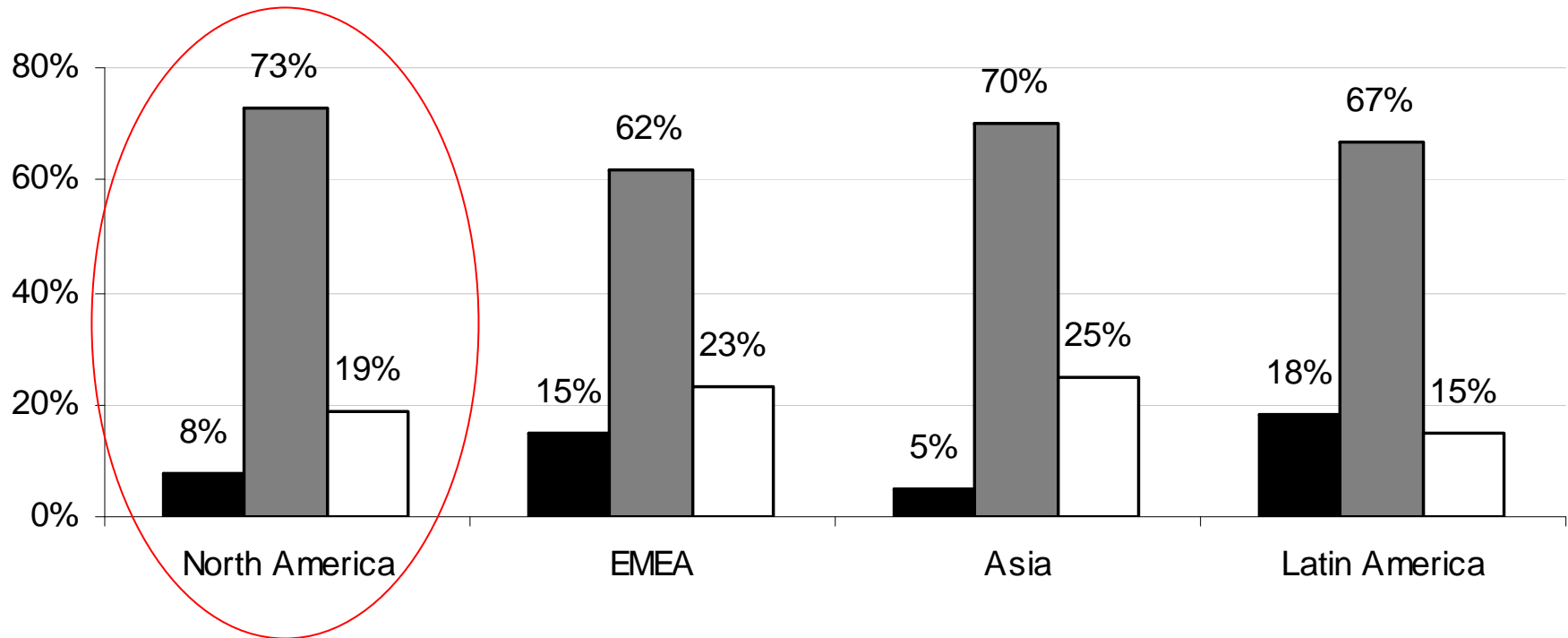
# Distribution of the Public by Four Geographic Regions

(EMEA = Europe & Middle East)



## How the World Looks at Privacy

■ Privacy Centric ■ Privacy Sensitive □ Privacy Complacent



# Why Should Privacy Trust Be Important to Online Marketers?

- Research shows that consumers are distrustful of marketers who use aggressive online marketing tactics.
- The term “cookie” continues to have a negative connotation among consumers.
- Consumers want to have more control over the privacy of the information they share online with marketers.
- Consumers actually prefer personalization when it is relevant to their interest or provides additional convenience.
- Consumer trust in online marketing practices results in better data and the potential for more online commerce.

# 2006 Online Marketing Permissions Study



- The purpose was to determine how consumers' self-reported knowledge about cookies affects their decisions to participate in online advertisements that targeted their individual tastes, interests and preferences.
- In total, 1,751 Internet users (consumers) over the age of 18 were surveyed.
- What we learned:
  - Consumers have a negative perception about the term “cookie.” This term may be confusing to consumers even when its use is accurately defined on an online marketer’s Web site.
  - The mere use of the term cookie when disclosing how a user’s permission is captured and tracked creates distrust in online marketers.

# 2006 Online Marketing Permissions Study



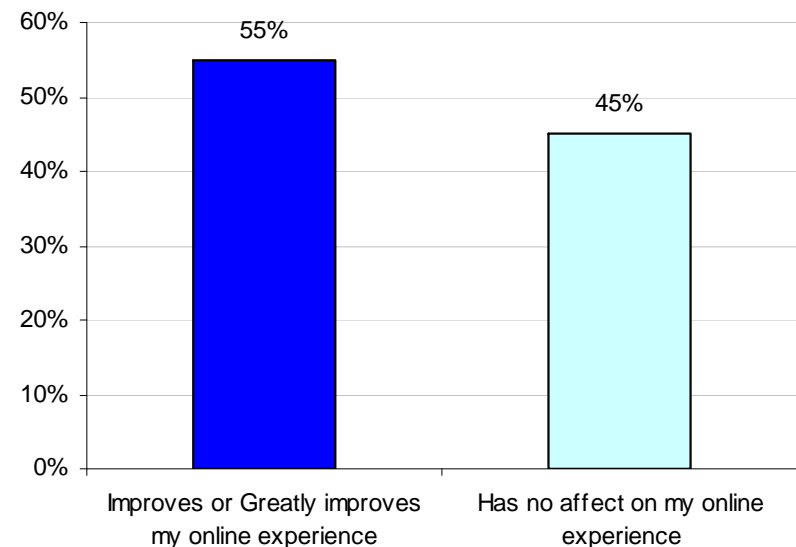
- What we learned – continued.
  - Respondents who said they have a *very good understanding* about Internet cookies in comparison to the total sample, are likely to click on an Internet ad that reflects their interest and preferences, even when it uses cookies.
  - Knowledgeable respondents appear to be much less concerned about the use of cookies. On average, only 48% of knowledgeable respondents appear to be concerned about marketers using cookies to capture individual permissions. In contrast, over 60% of the total sample appears to be concerned about the use of cookies to capture individual preferences.
  - Our findings are generally consistent with Jupiter study.

# Key Findings

## 2006 Online Marketing Permissions Study

55% of all respondents believe that an online ad that targets the individual's preferences or interests improves or greatly improved their online experience.

I feel that receiving online advertising that is interesting to me:	2006 Study Pct%
Improves or greatly improves my online experience	55%
Has no affect on my online experience	45%
Total	100%

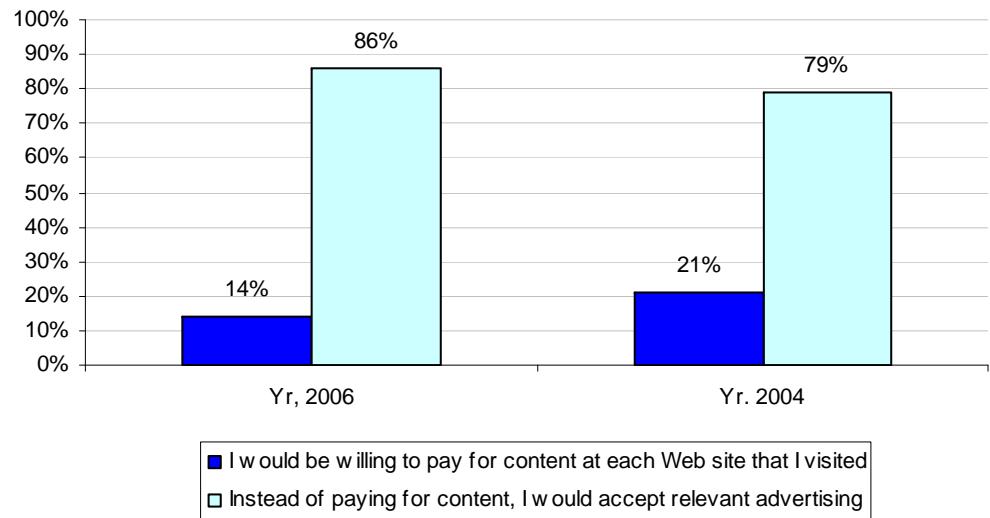


# Key Findings

## 2006 Online Marketing Permissions Study

Consumers do not want to pay for “free” Internet content or services, even if payment would stop the receipt of Internet ads.

The majority of the content on the Internet (such as current news, articles, social Web sites, blogs and so forth) is subsidized by advertising. Would you be willing to pay for content on the Web?	2006 Study Pct%	2004 Study Pct%
I would be willing to pay for content at each Web site that I visited	14%	21%
Instead of paying for content, I would accept relevant advertising	86%	79%
Total	100%	100%



# Key Findings

## 2006 Online Marketing Permissions Study

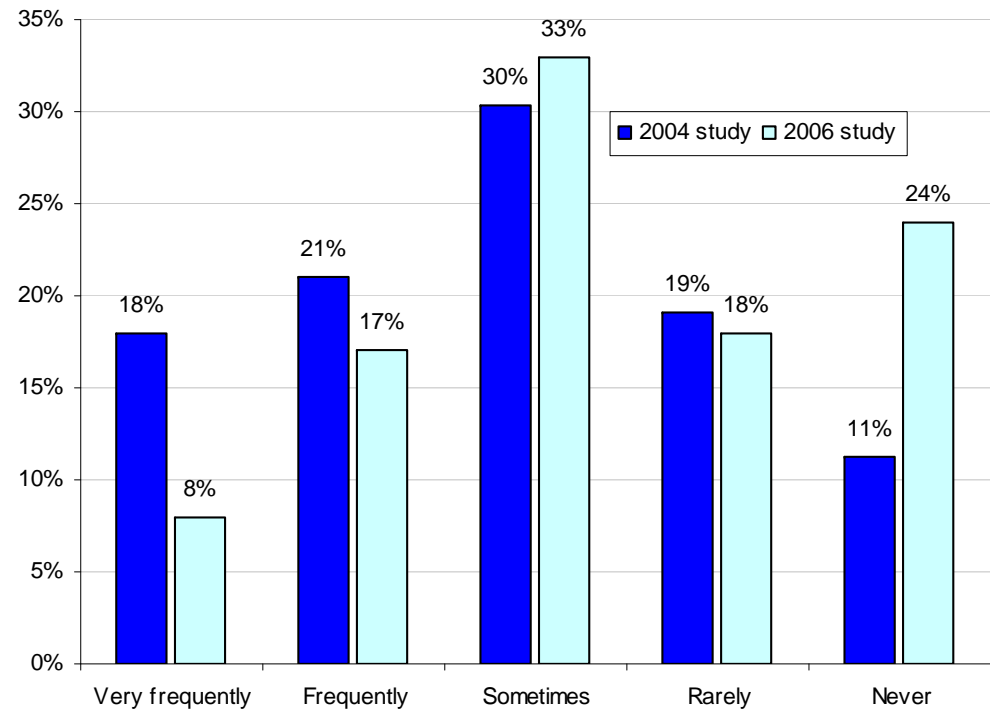
How often do you delete cookies from your hard drive?	2004 Study Pct%	2006 Study Pct%
Very frequently	18%	8%
Frequently	21%	17%
Sometimes	30%	33%
Rarely	19%	18%
Never	11%	24%
Total	100%	100%

Cookie deletion is on a downward trend.

### Why?

Are consumers more complacent?

Is it harder for people to remove cookies?



# 2005 Online Consumer Permissions Study



- We conducted a study about consumer response to opt-in communications or permissions online. A total of 1,799 U.S. consumers over the age of 18 were surveyed. Our objectives were to:
  - Learn what information consumers are willing to share with an online company they purchase products and services from.
  - To understand what incentives and services would encourage consumers to provide more personal information to online merchants.
- What we learned:
  - Companies are better able to target messages to the most appropriate or relevant audience.
  - Consumers are willing to share more personal information with marketers when they have a trusted relationship.

# 2005 Online Consumer Permissions Study



- What we learned – Continued:
  - Consumers want to rule over their online experience. 84% of consumers want control over the types and frequency of Internet ads sent from a specific marketer.
  - Lifetime customer relationships are built on trust. 64% of consumers felt that if they had control over the types of online communication they received, they would be more likely to trust the marketers that sent it to them.
  - If you treat a consumer with respect (or humor), they respond more. 56% of consumers feel respected when marketers attempt to understand their individual consumer interests.
  - Consumers don't want to be tracked online. Only 20% (the lowest number) would let a marketer share information in order to track their buying behavior and project future buying decisions.

# Trust Factors

## 2005 Online Consumer Permissions Study



Please treat each item as a separate condition and use the following scale to rate your answers to the next question: 1=Very Important, 2=Important, 3=Sometimes Important, 4=Not Important	Average Priority	Rank
You have confidence that the merchant will safeguard your personal information.	1.31	1
The frequency of Internet ads you receive from the merchant.	1.61	2
The merchant does not share personal information with third-parties.	1.65	3
The merchant asks for your permission before using or sharing personal information.	1.84	4
The merchant uses an opt-in approach to capture your consent.	2.07	5
The merchant targets products and services that are of unique interest to you.	2.13	6
The merchant uses an opt-out approach to capture your consent.	2.53	7
The merchant sends you a personalized message (for example, stating your name on each e-mail message).	2.75	8
The merchant's Web site has a well-known Web privacy seal such as TRUSTe.*	2.85	9
The privacy policy is easy to locate on the Web site and it is clearly written.	3.04	10

\*Our "Most Trusted Companies for Privacy" research completed in 2007 found that trust seals such as TRUSTe have steadily increased in importance as a trust building attribute for US consumers from previous annual studies.

# Findings about Control & Trust

2005 Online Consumer Permissions Study



Would you like to have control over types and frequency of Internet ads sent from a specific online merchant?	Freq.	Pct%
Yes	1,503	84%
No	134	7%
Unsure	156	9%
Total	1,793	100%

If you had control over the types and frequency of Internet ads, would it increase your trust and confidence in the online merchant?	Freq.	Pct%
Yes	1,143	64%
No	199	11%
Unsure	452	25%
Total	1,794	100%

# Key Findings

## 2005 Online Consumer Permissions Study



Do you believe that an online merchant respects you when it does the following?	Freq.	Total%
Understands your interests and is better able to market to you.	1,003	56%
Allows you to adjust the nature and frequency of marketing communications.	996	55%
Makes ordering products or services easy such as automatic completion of Web forms.	879	49%
Acknowledges your order in an e-mail message.	549	31%
Accepts returned merchandise without question or objection.	508	28%
Provides an opportunity to edit and correct the order before it is submitted.	498	28%
Sends you personalized messages or greetings based on your preferences.	457	25%
Provides easy access to your account information.	440	24%
Total Checked Items	5,330	

# Conclusion

- Consumers are distrustful of online marketers and are taking steps to control cookies on their PCs.
- In essence, consumers want more control over their online experience and privacy.
- Consumers prefer Internet ads that:
  - Are targeted to their specific tastes and preferences
  - Are respectful of privacy preferences and permission
  - Are not overwhelming in terms of frequency
- Permission is important to establishing trust and confidence in the online merchant.
- Trust leads to more and better personal information being shared by the consumer with the marketer or merchant.

# Ponemon Institute<sub>LLC</sub>

- ✓ The Institute is dedicated to advancing responsible information management practices that positively affect privacy and data protection in business and government.
- ✓ The Institute conducts independent research, educates leaders from the private and public sectors and verifies the privacy and data protection practices of organizations.
- ✓ Ponemon Institute is a full member of **CASRO** (Council of American Survey Research Organizations). Dr. Ponemon serves as CASRO's chairman of Government & Public Affairs Committee of the Board.
- ✓ The Institute has assembled more than 45 leading multinational corporations called the **RIM Council**, which focuses the development and execution of ethical principles for the collection and use of personal data about people and households.
- ✓ The majority of active participants are privacy or information security leaders.