
How Online Users Feel About Behavioral Marketing and How Adoption of Privacy and Security Policies Could Affect Their Feelings



Results of a Harris Interactive / Westin Survey
March 10-17, 2008

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Sponsored by Privacy Consulting Group
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Background

The expansion of online-behavior-based serving of customized content or advertising to web users has – simultaneously – become a driving force for businesses on Web 2.0 (for an estimated \$37 billion market) and also a cause of major concerns by consumer and privacy groups.

Articles describing the tracking practices and profile-creation by ISPs and web sites have exploded in the media, illustrated by the front-page New York Times story on March 10, 2008 about clicks capture for advertising. The Federal Trade Commission has held (and will continue) explorations of the behavioral marketing phenomenon, and has published a set of “possible self-regulatory principles” for online behavioral advertising.

To help understand how online users feel about this practice, Privacy Consulting Group (Alan F. Westin, Robert R. Belair and Associates) teamed with Harris Interactive in mid-March 2008 to conduct a preliminary exploration of these issues.

The Harris/Westin Survey

Questions were developed by Dr. Westin and Harris Vice President David Krane and placed on a Harris Interactive online omnibus survey of 2,513 adults 18 years of age or over, conducted between March 10-17, 2008. The sample is representative of the total population of approximately 180 million U.S. adults currently online.

Demographic information was collected and used for sub-group analysis for thirteen categories -- age, generation, sex, education, household income, region, employment, children in households, marital status, sexual orientation, political party identification, political philosophy and presence of disabilities.

(A methodology Note appears in the Appendix to this Report.)

1. Comfort With Online-Activity-Based Serving of Customized Ads or Content

Our question to the survey respondents on customization through collection of online user activities read as follows:

As you may know, websites like Google, Yahoo! and Microsoft (MSN) are able to provide free search engines or free e-mail accounts because of the income they receive from advertisers trying to reach users on their websites. How comfortable are you when those websites use information about your online activity to tailor advertisements or content to your hobbies and interests?

Respondents were asked to indicate whether they were *very comfortable, somewhat comfortable, not very comfortable, or not comfortable at all*)

The results were:

Comfortable (net)	41%
Very comfortable.....	7%
Somewhat comfortable.....	34%
Not comfortable (net)	59%
Not very comfortable.....	34%
Not comfortable at all	25%

Demographic Variations

In terms of demographic variations of five percentage points or more, age was the leading factor, with younger online users (18-29) more comfortable than the total sample, as well as users living in the East and college graduates.

Scoring higher in not being comfortable were older users (50 years and over), married women, and persons with disabilities.

2. How Adoption of Privacy and Security Policies Could Affect Online User Comfort

We drew on the FTC's current publication – Online Behavioral Advertising – Moving the Discussion Forward to Possible Self-Regulatory Principles – to present respondents with four privacy/security policies that web sites using behavioral marketing might adopt. We then asked respondents how following these policies would affect their feeling of comfort or discomfort.

Some web sites using customized marketing and seeking to insure user trust could adopt privacy and security policies for their customization program. The web site would:

A. explain to all users how it would use information about their online activities to customize content or advertising to their interests.

B. offer users some choices about the type of tailored content and advertising shown to them.

C. apply reasonable security measures to safeguard online user information

D. promise not to share any user's personally identifiable consumer information from their online activities with other companies without the user's consent.

If a web site adopted and followed all of these policies, how comfortable would you then be with companies using information about your online activities to serve customized ads or content to you?

Respondents were asked to indicate whether they would be *very comfortable, somewhat comfortable, not very comfortable or not comfortable at all*. The results were:

Comfortable (net)	55%
Very comfortable.....	9%
Somewhat comfortable.....	46%
Not comfortable (net)	45%
Not very comfortable.....	26%
Not comfortable at all	19%

We see here a 14 percentage point shift, from 41% comfortable in the current profiling practices environment, as respondents understand or perceive it, to a 55% majority expressing comfort when the privacy and security policies are applied.

Demographic Variations

Only two demographic groups – persons 18-24 years of age and persons with household income of \$50-74.9 thousand -- scored five percentage points or more higher than the total sample in feeling comfortable.

WESTIN COMMENTARY

Initial Comfort Levels

Our survey results show that almost six out of ten online users (59%) -- representing 106 million adult online users -- do not feel comfortable today with their online activities being tracked in order to customize offers to them of ads or content.

Online advertisers have argued that receiving customized ads and content would reduce annoying user-irrelevant offers -- and that this would be much appreciated by Net users. However, our results suggest that this potential outcome did not seem to influence a majority of online users to overcome their underlying concerns about tracking and profiling.

Applying the Westin Consumer Privacy Segmentation Model

In other Harris/Westin consumer privacy surveys from 1990 to the present, a 55-60% majority of the public made up what we called "Privacy Pragmatists." When asked if a business marketing practice that collected and used their personal consumer data was acceptable, the Privacy Pragmatists went through a basically four step process. They first looked at the value of the consumer benefit offered to them; then asked about the privacy risks or potential harms that might take place; next looked to see what the business promised to do to minimize or eliminate those risks; and -- finally -- decided whether they trusted the business or felt that law and regulation would protect them against any harms. If all four of these steps were positive, we would find solid majorities saying the practice was acceptable -- and, as consumers, they would use the service or accept the benefit.

Our surveys also showed that about 25-35% of the consuming public -- whom we called Privacy Fundamentalists -- would answer one or more of those four questions in the negative, and reject the benefit-offer as privacy unacceptable

This left about 10-12% of the public that our surveys found to be Privacy Unconcerned. Even small benefits would tip their scale to acceptability. (For 10 cents off, I liked to say, they would give you their family history...)

The Benefit Calculus

Applying this framework, it may be -- given the prevailing popular approach that content on the Net should always be free -- that offering online users free email or free searches did not seem to a majority of our respondents to be a sufficient set of benefits or valued services to overcome the instinctive feeling of not wanting to be tracked and marketed to based on their online

transactions and surfs. Web sites wanting to have users not opt out of customized marketing may well have to up the benefits ante to persuade online users that benefits promised outweigh perceived privacy and data security risks.

Twenty-five percent of respondents said they remained Not Comfortable At All with online activity based marketing – and its presumed benefits -- even if four privacy and security policies were installed and followed. This group matches in size and demographic make-up the 25-35% of consumers identified in the Westin segmentation as the Privacy Fundamentalists,.

Comfort Levels If Privacy Safeguards Installed

Whatever the initial risk-benefit calculus, our survey shows that when key safeguards are promised – notice, choice, security, and use-limitation unless express consent – the pattern of respondent attitudes shifts:

- A new majority of 55% says they would be comfortable with such a privacy-protecting set of web site and online advertiser policies. This represents approximately 99 million adult online users, and the shift of position by 14% of respondents represents about 25 million online adults changing their minds.
- This level of comfort among the 55% runs through virtually all the demographic categories of online adult users – by education, income, gender, race, marital status, employment, region, party ID, and political philosophy.
- However, it should be noted that the adoption and installation of the four privacy safeguards did not significantly increase the percentage of adult Net users who said they would be “very comfortable” with profiling and customization. This set of users increased only 2%, from 7% to 9%, fitting our typical Privacy Unconcerned consumer level of 10-12%.
- Rather, it was migration of 43% of those initially saying they were Not Very Comfortable to a new placement as Somewhat Comfortable that explains 12% of the 14% shift.

However, in other Harris/Westin consumer privacy surveys testing risk-benefit choices, we often found a larger shift to acceptability taking place with the addition of privacy safeguards than took place here. That is, the accepting majority would go from an initial low positive of only 40-45% to something like 65-70% positive, once privacy safeguards would be adopted.

The fact that the accepting majority rose here only to 55% may reflect a skepticism among many of the still-negative 45% that web sites would really follow the privacy and security safeguards, and that there would be no user remedies or protective regulation to control such web sites if they did not.

Organizational Policies Implications

Just how web sites and industry associations could work out the specifics of the four safeguards presented in the survey -- given the decentralized features of the Internet and the constant point-to-point surfing behavior of Net users -- is not a simple matter. For example, how to provide Net users with continued and useful notice of profiling practices as they move about from Home Pages to a variety of visited sites, and then to sites posted on those sites, poses complex technological and practical issues. Offering an opt out is also challenging, since ad serving on a continuing stream of user-chosen web sites is not like providing an up-front opt out at a single site, such as Facebook.

In addition, there is the challenge of formulating privacy solutions that will foster individual-user choices, rather than trying to set one rule on behavioral marketing for everyone. American consumers vary in how they want to set the risk-benefit equation in marketing settings, and neither total prohibitions nor total permissiveness will work well in the dynamically-changing Web 2.0 environment.

What our survey strongly suggests, however, is that continued profiling and customization without adopting key privacy and security policies will not satisfy a strong majority of the current U.S. online user community. Just how to offer this majority a set of meaningful policies that do not also inhibit the powerful interests of users in communication and shopping on the Net is the challenge for all of the active Net communities and experts to address now.

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APPENDICES

Harris Interactive Methodology

Harris Interactive® conducted the study online within the United States between March 10 and 17, 2008 among 2,513 adults. Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the online population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Interactive surveys. The data have been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in the Harris Interactive panel, no estimates of theoretical sampling error can be calculated.

About Harris Interactive®

Harris Interactive is one of the largest and fastest-growing market research firms in the world. The company provides innovative research, insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for The Harris Poll®, one of the longest running, independent opinion polls, and for pioneering online market research methods.

Since the 1970s Harris Interactive has conducted (often working with Dr. Alan Westin) numerous studies about privacy. Most recently these projects have explored a variety of topics relating to consumers' privacy, health privacy, homeland security, online privacy and data security. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its North American, European and Asian offices, and through a global network of independent market research firms. More information about Harris Interactive may be obtained at www.harrisinteractive.com.

About Dr. Alan F. Westin and Privacy Consulting Group

Dr. Alan F. Westin is Professor of Public Law and Government Emeritus at Columbia University; former Publisher of *Privacy & American Business*; and former President of the Center for Social & Legal Research.

Professor Westin's major books on privacy -- Privacy and Freedom (1967) and Databanks in a Free Society (1972) -- were pioneering works that prompted U.S. privacy legislation and helped launch global privacy movements in many democratic nations in the 1960's and 70's. He has also specialized in studying the impact of information technologies on national and local governmental operations, from decision-making to citizen services and freedom of information administration, illustrated by his 1971 book, Information Technology in a Democracy.

In 2005, Dr. Westin received the Privacy Leadership Award of the International Association of Privacy Professionals, the leading U.S. organization of business, government, and non-profit privacy officers.

Over the past forty years, Dr. Westin has been a member of U.S. federal and state government privacy commissions and an expert witness before legislative committees and regulatory agencies. These activities cover privacy issues in financial services, credit and consumer-reporting, direct marketing, health care, telecommunications, employment, law enforcement, online and interactive services, survey research, and social-services. He has consulted on privacy and helped write privacy codes for over one hundred companies.

Between 1978 and 2008, he has been the academic advisor to Louis Harris & Associates (now Harris Interactive) for more than 50 national surveys of public and leadership attitudes toward consumer, employee, and citizen privacy issues, in the United States, Canada, Germany, Britain and Japan. He has also done 20 planning and proprietary privacy surveys for companies, generally with Opinion Research Corporation of Princeton, N.J.

In 1993, with Washington attorney Robert Belair, Dr. Westin founded *Privacy & American Business*, a non-profit think tank that provided expert analysis and a balanced voice on business-privacy issues. P&AB published a bi-monthly newsletter; conducted an annual national conference in Washington on "Managing The Privacy Revolution"; and led a Corporate Privacy Leadership Program and a Global Business Privacy Policies Project. P&AB also managed privacyexchange.org – a global Internet web site on consumers, commerce, and data protection worldwide, covering privacy developments in over 100 nations. The Center finished its work in the Fall of 2006.

Also in 1993, Dr. Westin founded – along with Robert R. Belair – the Privacy Consulting Group (PCG). This is now the oldest privacy-consulting boutique in the U.S. Its clients include leading financial services, consumer reporting, telecommunication, pharmaceutical, health-care, and Internet firms, as well as government t agencies and non-profit organizations.

PCG leads the Center for Strategic Privacy Studies as well as the Program on Electronic Health Records and Privacy. PCG also partners with Harris Interactive on surveys dealing with consumer, employee, and citizen privacy.

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