



Federal Trade Commission Protecting America's

Consumers

I. THE ONLINE MARKETPLACE: Challenges and Opportunities(1)

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Globalization and new technologies are radically changing the contours of the late twentieth century marketplace. In the 1980's, the personal computer revolution enhanced the ability of government, industry, and consumers to capture a vast array of personal information automatically. In the 1990's, the technology underlying the Internet is making it even easier and less expensive to gather, store, analyze, transmit, and reuse personal information in ways that were unimaginable just a few years ago.

Expanded commercial use of the Internet will inevitably generate more information about more online interactions, and will make that information more readily accessible to a global community of information users. This presents both opportunity and risk. Opportunities for commercial transactions online are virtually limitless. Anyone can establish a commercial site on the Internet and become a global marketer. The benefits of the flow of information in this medium are apparent, both for consumers and for industry. Commerce may become more efficient; in the future marketers may spend fewer advertising dollars to communicate information to the consumers who are most interested in receiving it. Consumers may gain more information about things that truly interest them, and spend less time sorting through unsolicited electronic mail.

The proliferation of readily available personal information, however, also could jeopardize personal privacy and facilitate fraud and deception. These risks may make consumers reluctant to use the Internet or participate in online transactions and therefore could prevent consumers from obtaining the benefits promised by online commerce.

The Federal Trade Commission seeks to understand these and other issues posed by the developing technology-based marketplace.(2) In the context of this effort, the Bureau of Consumer Protection staff undertook a Consumer Privacy Initiative to examine consumer privacy issues in the marketplace, to promote consumer and business education about the use of personal information online.(3) The Initiative opened an ongoing dialogue, in both traditional and electronic forums, with a wide range of interested parties -- including online service providers, direct marketers, privacy advocates, information industry representatives, consumer groups, trade associations, and academics.(4)

The June 1996 Workshop that is the subject of this report was convened to continue that dialogue, and to allow the broadest possible group of interested parties to express their views on (1) privacy issues posed by the emerging online marketplace, and (2) online protections for consumer privacy. This report summarizes participants' views. It synthesizes subjects and strategies on which there was general agreement among participants, records the issues upon which participants could not agree, and describes ongoing private efforts to address concerns about information privacy online. It is designed to be a resource not only for readers with an interest in privacy issues generally, but also for those who are working toward the development of policies and mechanisms for protecting consumer privacy online.

1. This report was prepared by staff at the FTC. It does not necessarily reflect the views of the Commission or any individual Commissioner.
2. In October and November 1995, the Commission held a lengthy series of hearings to examine the implications of globalization and technological innovation for both competition and consumer protection issues. An entire day was devoted to the newest global marketplaces -- the Internet and the World Wide Web. The Commission heard testimony on the latest developments in this technology, on the new methods of marketing that technology has made possible, and on emerging risks -- including fraud, deception, and loss of privacy -- faced by consumers who choose to engage in commerce in cyberspace.
3. The Initiative can be traced to the Bureau's April 1995 public workshop on Consumer Protection and the Global Information Infrastructure. Participants explored consumer issues arising from new technologies such as the Internet. Participants at a session on privacy at that workshop sent the Commission two clear messages: first, that protecting consumer privacy online was a pressing concern, and second, that self-regulatory approaches should be given a chance to work before regulatory approaches were considered.
4. Staff has engaged in a series of one-on-one discussions with these parties, and invited the public to take part in an online listserv devoted to information privacy issues. The listserv, whose subscribers correspond with one another electronically (although not in "real time"), has expanded the dialogue on privacy issues to include a far-flung group of participants. This online discussion has complemented the series of individual meetings with Bureau staff: each has facilitated dialogue among individuals with the full range of views concerning privacy rights and responsibilities in the online commercial world.

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Last Modified: Monday, June 25, 2007