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Contact: Walter J. O'Brien (wjojr@attglobal.net)
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Consumer Privacy Attitudes and Behaviors Survey

**Conducted by Harris Interactive
For
The Privacy Leadership Initiative (PLI)**

EXECUTIVE SUMMARY

The findings of this survey demonstrate that while an increasing number of adults are spending time online, there continues to be significant concern about sharing personal information online and offline. People are worried that the information they provide won't be used for the purpose it was intended, and more than half have actually decided not to use or purchase something from a company because they weren't sure how the company would use their personal information. Clearly, people are uncomfortable with exchanging personal information, however, the findings suggest that, for some people, their concerns might be addressed through the placement of privacy statements and seals on Web sites.

While a majority of consumers have refused to give information they considered not needed or too personal, when they do share, they have greater confidence in sharing personal information in familiar forums. Not surprisingly, they are much more likely to feel confident about communicating personal information via mail or telephone than they are sharing it through e-mail or over the Internet. In addition, consumers were found to be more willing to trust recognized, established companies to handle their personal information than smaller, less recognizable companies.

Consumers also expressed significant doubts about both the government and the private sector's ability to establish effective protections and standards, with the private sector faring slightly better than the government. The survey also paints a complicated picture of how consumers feel about the benefits of personalization: Some are willing to exchange personal information to obtain the benefits of personalization, while others will not, demonstrating a lack of understanding about the value received in exchange for sharing personal information. This suggests that consumers may be unaware of the existing benefits of personalized products and services.

Finally, very small minorities of consumers are taking advantage of existing tools to protect their privacy. This could suggest that people are unaware of the ever-growing list of web-based tools designed to help consumers safeguard their information. Instead, consumers are far more likely to protect their privacy by simply refusing to give

certain personal information or asking companies to remove their personal information from marketing lists.

AMERICANS ARE WIRED BUT WARY

Although more than two-thirds of adults are online, they remain tentative about the collection and use of their personal information.

Today, 63% of adults are online, as compared to 51% one year ago. On average, online users spend nine hours on the Internet. Online users seem to break into three categories: heavy, moderate and light. Most (52%) online users are light users, spending between one to five hours per week on the Internet, although there is a significant one-quarter (23%) of the population that are heavy users, spending more than ten hours per week on the Internet. Adults (22%) who are moderate online users, or who use the Internet between six to ten hours per week, comprise about a quarter (22%) of the online population.

In general, almost all online users seem to be willing to provide Web sites with basic information such as their name (95%), postal address (94%) or email address (93%). However, they seem somewhat more hesitant to provide information that might be considered more personal such as their income or assets (56%) or their Social Security number (52%).

Thus, given that the public appears to be somewhat tentative about providing personal information, it is not surprising that the public exercises judgment both online and offline with respect to protecting their privacy. Fully 83% of online users and 77% of non-online users have refused to give information to a business or company they considered was unnecessary or too personal in nature. Just over four in 10 (44%) online users have avoided specific Web sites because of dubious privacy practices.

CONSUMER EXPERIENCE ONLINE TIED TO LEVEL OF CONCERN

Individuals express online and offline privacy concerns in many different ways depending on how much experience they have had. Specifically, heavy online users are less concerned about privacy or security issues as compared to light online users. This difference may create some barriers to increased online activity.

Online users do not cite security or privacy as barriers that prevent them from spending more time online. On the contrary, the primary reason why people do not spend more time on the Internet is due to lack of time (55%). Far fewer cite their lack of interest or need (14%) or say they only use the computer to do specific things (12%). Only a few adults say they use the computer enough (5%) or have limited access to a computer (4%).

The majority of online users (60%) have purchased products or services over the Internet, with heavy online users slightly more likely than light online users to do so (64% heavy users vs. 58% light users), implying that as adults use the Internet more often, barriers to Internet use and making purchases may lessen.

However, a significant two in five adults (40%) have never purchased any products or services over the Internet, and security issues (including transmission of information, storage of information and how personal information) top the list of reasons why (43%).

Typically, adults spent \$103 each month offline as a result of their online shopping experience. For those adults who make offline purchases as a result of their online experience, security issues are also the primary reason (22%) they go offline.

Again, security is less of an issue for heavy users than light users – 13% of heavy users and 24% of light users say concerns about security compel them to buy offline.

THERE IS A TRUST GAP

The public trusts business slightly more than government to protect their personal information and establish effective privacy standards. But a lack of trust remains for both.

The public, on average, does not really trust either industry or government to use their personal information safely and properly. On a ten point scale where '1' represents 'do not trust at all' and '10' represents 'trust completely,' online users rate business a 4.5 while they rate government a 4.1. Similarly, non-online users rate business a 4.2 and government a 3.8.

The public seems to be divided into three categories regarding their trust in business and government to use their personal information safely or properly: those who trust completely (a rating of a 8, 9, or 10), trust somewhat (a rating of 4, 5, 6, or 7) and those who do not trust at all (a rating of 1, 2, or 3). Specifically, the following proportions of online and non-online users trust business to use their personal information properly:

- Trust completely (10% online users and 10% non-online users)
- Trust somewhat (54% online users and 47% non-online users); and
- Do not trust at all (35% online users and 38% non-online users).

In terms of government, the following proportions of online and non-online users trust government to use their personal information properly:

- Trust completely (15% online users and 14% non-online users)
- Trust somewhat (38% online users and 33% non-online users); and
- Do not trust at all (47% online users and 49% non-online users).

Similarly, the public is not confident that business or government will set appropriate privacy standards. On a 10 point scale where '1' represents 'not confident at all' and '10' represents 'very confident,' online users rate business a 5.0 and rate government a 4.5, and non-online users rate business a 4.4 and government a 3.8. Again, substantial proportions give business and government a low rating on confidence.

Similar categories emerge for the public regarding their confidence in business and government to establish effective privacy protections: completely confident (a rating of 8,9, or 10), somewhat confident (a rating of 4, 5, 6, or 7) and those who are not confident at all (a rating of 1, 2, or 3). Specifically, the following proportions of online and non-online users are confident in business to establish effective privacy protections:

- Completely confident (16% online users and 11% non-online users)
- Somewhat confident (53% online users and 48% non-online users); and
- Not confident at all (29% online users and 34% non-online users).

The following proportions of online and non-online users are confident in government to establish effective privacy protections:

- Completely confident (19% online users and 13% non-online users)
- Somewhat confident (39% online users and 34% non-online users); and
- Not confident at all (40% online users and 48% non-online users).

While both business and government receive low scores overall, it is worth mentioning that on average, business fares slightly better than government on using and setting appropriate privacy standards.

HIGHER CONFIDENCE IN TRADITIONAL MODES OF INFORMATION TRANSMISSION

Familiarity with the mode of transmission acts as an important confidence builder when exchanging information. Overall, people expressed greater confidence in the transmission and use of data using traditional mediums – such as the mail or telephone.

Although majorities of the public are confident that their communication will reach its intended audience without being seen or heard regardless of the medium, confidence levels for traditional or often-used modes of transmission are higher than for newer methods. An overwhelming 95% of online users are confident using the U.S. mail and 80% are confident using the telephone. However, six in 10 (62%) online users are confident about communicating by fax, 65% are confident communicating by email and 60% are confident communicating through the Internet.

For those adults who have provided personal information over the Internet there is a high level of confidence that personal information will be transmitted (71% say very or somewhat confident) and stored securely (63%). There is slightly less confidence that personal information will be used only for its intended purpose (56%).

Time spent online also appears to influence people's confidence level. Heavy online users are more likely than light users to be confident in secure transmission (75% heavy users vs. 67% light users), secure storage (66% vs. 58%, respectively) and that their information will only be used for its intended purpose (60% vs. 54%, respectively).

CONSUMERS UNCLEAR ABOUT BENEFITS OF PERSONALIZATION IN EXCHANGE FOR THEIR INFORMATION

Consumers were mixed in their opinion about the benefits of personalization. Modest majorities saw personalization as a good thing, but a significant number did not. Among those who saw personalization as beneficial, there was still a substantial number of those who would not exchange information. This suggests, perhaps, that consumers are unaware of the existing value and benefit of personalized products and services.

Although online users (59%) are more likely than non-online users (49%) to see personalization as a good thing, close to four in 10 online users (37%) and 44% of non-online users say they do not see personalization as a good thing.

However, two groups emerge among those who see personalization as a good thing: those who would be willing to trade personal information for benefits of personalization and those adults who would not be willing to trade information for such benefits.

For those adults who see personalization as a good thing, substantial proportions would not be willing to exchange personal information for the following benefits:

- Advance information on new products and services (62% online users and 58% non-online users);
- More product information (60% online users and 51% non-online users);
- Easier buying process (59% online users and 58% non-online users);
- The ability to conduct transactions faster (58% online users and 52% non-online users);
- Product discounts (52% online users and 53% non-online users); and
- Improved customer service (40% online users and 43% non-online users).

However, there are modest proportions of adults who see personalization as a good thing and would be willing to exchange personal information for the following benefits:

- Improved customer service (57% online users and 51% non-online users);
- Product discounts (45% online users and 40% non-online users); and
- More product information (39% online users and 44% non-online users);
- Easier buying process (38% online users and 34% non-online users);
- The ability to conduct transactions faster (39% online users and 42% non-online users)
- Advance information on products or services (36% online users and 38% non-online users).

CONSUMERS MORE LIKELY TO BELIEVE INFORMATION WILL BE PROTECTED BY FAMILIAR COMPANIES

Although people's confidence about how their personal information will be handled is mixed, adults do feel that certain types of companies are more likely to handle their information properly.

Online users (56%) are more confident that Web sites for traditional brand name products will handle their personal information properly than other types of companies such as:

- Financial service companies (39%);
- New companies that sell products over the Internet only (30%);
- Medical product and service companies (29%); and
- Personal Web sites (21%).

Given that online adults are more likely to be confident in Web sites for traditional brand name companies, it is not surprising that these adults are also more willing to provide personal information to Web sites for traditional brand name products. Of those who are confident, 67% are very or somewhat willing to provide personal information to this type of Web site, as compared to:

- Financial service companies (47%);
- Medical product and service companies (40%);
- New companies that sell products over the Internet only (35%); and
- Personal Web sites (22%).

PRESENCE OF PRIVACY STATEMENTS AND SEALS INCREASE CONSUMER CONFIDENCE

The public places a high value on privacy statements and seals. The fact that many adults do not recall specific components of the information may suggest that privacy policies need to be more clear or understandable.

Almost all online users (83-91%) feel it is important to see privacy statements appear on the Web sites for: financial service companies, medical product and service companies, Web sites for traditional brand name products, new companies that sell only over the Internet and personal Web sites. Perhaps because people are more familiar with these types of companies, the public also has the most confidence in the privacy policies of Web sites maintained by traditional brand name products (81% very or somewhat confident).

To date, an overwhelming 73% of online users have seen privacy notices on Web sites. Of those who have seen privacy notices, a majority (78%) actively read the information contained in the notice with a significant 26% saying that they always read the information.

The presence of the privacy notices alone may make people feel more at ease about their personal information since a significant minority (22%) say they rarely or never actually read the information contained in the policies.

For those who have read the information posted in the privacy policy, a majority (72%) has noticed how the policy might use their personal information. Far fewer recall seeing information about the choices they had as to how personal information might be used (52%) or access to any personal information that might be stored about them (44%).

Consumers also value the presence of privacy seals. Of those who have seen a privacy seal, about half (49%) say that after seeing the seal, they are more willing to provide personal information.

FEW CONSUMERS TAKE ADVANTAGE OF EXISTING PROTECTIONS

Few individuals take advantage of existing tools and technologies to protect their privacy. Rather, the public is likely to exercise judgment to protect their privacy.

In dealing with both offline and online companies, adults protect their privacy by taking proactive steps such as:

- Refusing to give information they consider too personal or unnecessary (83% online users and 77% non-online users);
- Asking companies to remove their personal information from marketing lists (70% online users and 54% non-online users); or
- Asking a company not to sell or give their name to other companies (69% online users and 50% non-online users).

When using the Internet, adults also exercise judgment in protecting their privacy by avoiding certain sites or withholding personal information. Just over four in 10 (44%) online users avoid visiting specific Web sites with dubious privacy practices, 42% exercise the choice as to how Web sites might use their personal information and a third (33%) have given fictitious personal information to protect their real identity.

However, very few have made use of any existing privacy protection software. Only 15% have put software on their computer that shields their personal information, one in ten (10%) adults have used software to allow them to surf anonymously and only 5% have used software that allow them to make anonymous purchases.

Perhaps because they are more knowledgeable of its availability, heavy online users are even more active than light users in taking advantage of existing technologies to protect their privacy:

- Exercise the choice as to how Web sites might use their personal information (48% heavy users vs. 37% light users);
- Put software on their computer that shields their personal information (24% vs. 12%); and
- Used software to allow them to surf anonymously (15% vs. 7%).

METRICS AND METHODOLOGY

The survey conducted for the Privacy Leadership Initiative (PLI) is the first in a series of trended surveys to be conducted regularly over the next 18 months. The primary purpose of this study is to track changes and trends in the attitudes, behaviors, experiences and expectations of consumers with regard to online and offline privacy. More importantly, the results from this study will provide a framework for and measure the effectiveness of the PLI's efforts to make consumers smarter about privacy via a national knowledge-building effort. Seven key metrics were identified:

1. Overall acceptance – are more people online, providing information, making purchases?
2. Trust – is the level of trust between consumers and businesses increasing?
3. Familiarity – are confidence levels increasing for well-known and less well-known companies?
4. Privacy concerns – what are the key drivers behind the concern and their importance?
5. Tools and technology – are more people using privacy tools and technology to safeguard their information, how important are privacy statements and seals?
6. Personalization - are more people willing to exchange information for personalized good and services?
7. Confidence – what are the levels of confidence in online versus offline mediums such as phone, fax and mail?

With respect to methodology, between November 28 and December 7, 2000, a national cross section of 1,026 adults (aged 18 and over) were interviewed by telephone and 2,087 adults (aged 18 and over) were interviewed online. "Online Users" refers to those people who say that they use the Internet or the World Wide Web. Some of these people were interviewed online and some by telephone. "Non-online Users" refers to those people who do not use the Internet or the World Wide Web. All of these interviews were conducted by telephone. The telephone and online results were weighted to be representative of the general population and the online population, respectively.

ABOUT HARRIS INTERACTIVE

Harris Interactive (Nasdaq: HPOL), the global leader in online market research, uses Internet-based and traditional methodologies to provide its clients with critical knowledge concerning the views, experiences, behaviors and attitudes of people worldwide. Known for its *Harris Poll*, Harris Interactive has 45 years of experience in providing its clients with market research and polling services including custom, multi-client and service bureau research, as well as customer relationship management services. Harris Interactive acquired the custom research group of Yankelovich Partners in February 2001. Through its U.S. and Global Network offices, Harris Interactive conducts research around the world, in multiple, localized languages, using its proprietary technology to survey its database of more than 7 million online panelists. For more information about Harris Interactive, please visit our website at www.harrisinteractive.com. EOE M/F/D/V

ABOUT THE PRIVACY LEADERSHIP INITIATIVE

The PLI is a partnership of visionary CEOs from 15 major corporations and 9 leading business associations who believe individuals should be able to choose what and how personal information is used in the pursuit of better meeting their needs. Through research and knowledge building, the PLI is working to build a climate of trust – both online and offline – to help accelerate the emergence of the information economy as a safe marketplace.