International Differences in Information Privacy Concern: Implications For the Globalization of Electronic Commerce

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EXTENDED ABSTRACT - Differences in information privacy concern in relation to the Internet have been found in national probability samples of consumers from the U.S., the UK, and Germany (IBM 1999). International differences in regulation of information privacy (e.g., the European Data Privacy Directive: EU 1995) are supposed to reflect these concerns. In this study, we examine three possible explanations for these different forms of Internet regulation: (1) these differences reflect and are related to differences in cultural values (Hofstede 1980, 1991; Milberg, Burke, Smith, and Kallman 1995); (2) these differences reflect differences in Internet experience and/or familiarity with Web privacy practices; and (3) they reflect differences in the desires of political institutions without reflecting underlying differences in privacy preferences. We surveyed Internet-using consumers from 38 countries and controlled for differences in demographics (Poortinga and Malpass 1986) to isolate the effects of cultural values, government regulation, Internet experience and knowledge of Web privacy practices, on concern for information privacy on the Net. We find support for (1), that cultural values are associated with differences in privacy preferences, which in turn are reflected in government regulation.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/8918/volumes/v31/NA-31

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EXTENDED ABSTRACT

Differences in information privacy concern in relation to the Internet have been found in national probability samples of consumers from the U.S., the UK, and Germany (IBM 1999). International differences in regulation of information privacy (e.g., the European Data Privacy Directive: EU 1995) are supposed to reflect these concerns. In this study, we examine three possible explanations for these different forms of Internet regulation: (1) these differences reflect and are related to differences in cultural values (Hofstede 1980, 1991; Milberg, Burke, Smith, and Kallman 1995); (2) these differences reflect differences in Internet experience and/or familiarity with Web privacy practices; and (3) they reflect differences in the desires of political institutions without reflecting underlying differences in privacy preferences. We surveyed Internet-using consumers from 38 countries and controlled for differences in demographics (Poortinga and Malpass 1986) to isolate the effects of cultural values, government regulation, Internet experience and knowledge of Web privacy practices, on concern for information privacy on the Net. We find support for (1), that cultural values are associated with differences in privacy preferences, which in turn are reflected in government regulation.

Our study focuses on information privacy, which Westin (1967) defined as the amount of control that individuals can exert over the type of information, and the extent of that information, revealed to others. Government regulation of information privacy in many countries is based on four core fair information practices: notice of collection practices, choice at least in the use of collected data, access to collected data, and security and integrity of data (e.g., FTC 1998). Smith, Milberg, and Burke (1996) defined four similar dimensions of Concern for Information Privacy (CFIP). Collection reflects the growing impingement that companies are collecting unreasonable amounts of personal data. Unauthorized Secondary Use refers to the utilisation of a consumer's information without permission. Improper Access reflects the disclosure of personal information to unauthorized individuals. Finally, the Errors dimension describes concerns about inaccurate information in databases, either by accident or design.

Milberg et al. (2000) found that CFIP increased with higher levels of three of Hofstede's (1980, 1991) cultural values dimensions, Power Distance Index (PDI), Individualism (IND), and Masculinity (MAS), but decreased with higher levels of Uncertainty Avoidance Index (UAI). Milberg et al. (2000) also found a significant and positive relationship between government involvement in the regulation of privacy, and CFIP, and a positive relationship between existing government involvement in regulation and preference for more government regulation. We intended to replicate these findings using a sample of consumers. We also hypothesized that familiarity with Web privacy practices may reduce CFIP. For example, Culnan (1995) found that consumers who were aware of name removal procedures for "opting out" of direct mailing lists were less concerned about information privacy. The need for more consumer education is a typical recommendation in the conclusion of academic studies (e.g., Culnan 1995; Whitman, Perez, and Beise 2001). Recently, industry groups in the U.S. such as TRUSTe (Benassi 1999) have been spending millions of dollars on education programs to try to reduce consumers' privacy concerns and demands for increased government regulation.

We recruited 534 Internet-using consumers from 38 countries. Respondents completed an online survey in English consisting of the Smith et al. (1996) CFIP scale (adapted for CFIP at Web sites), two scenarios that elicited CFIP in a relatively lower-sensitivity context (purchases recorded on a bonus card at a physical store) versus a relatively higher-sensitivity context (medical and financial information collected by a Web site), an item that measured concern about the security of online transactions, and six items that formed an index of knowledge about Web privacy practices (e.g., TRUSTe, "cookies"). Cultural values were measured using Hofstede's (1980, 1991) country scores for the same four dimensions used by Milberg et al. (2000), for replication purposes, although we acknowledge concerns about Hofstede's imposition of a westernized scale on all cultures (e.g., Chinese Culture Connection 1987). Government involvement in regulation was classified into five categories developed by Milberg et al. (1995) using Privacy International's (1998) survey of international privacy laws. MANCOVA was used to test whether the hypothesized covariates—cultural values, government regulation, and Web privacy knowledge—significantly reduced differences in CFIP across six regions: the U.S., Canada, the United Kingdom and the Republic of Ireland, other countries from Continental Europe that were current members of the EU, Australia and New Zealand, and Other Countries. The MANCOVA also controlled for individual differences in demographics and Internet experience.

Respondents from countries with relatively higher overall cultural values scored significantly lower CFIP. This effect was in the opposite direction to the finding of Milberg et al. (2000). Follow-up analyses showed that this effect was due mainly to the IND dimension of cultural values, and was consistent with previous findings that people from high IND countries (such as the U.S.) are less concerned about disclosing private information than people from low IND countries (e.g., Ting-Toomey 1991). Repeating Milberg et al. (2000) and Milberg et al. (1995), respondents from countries with higher levels of government regulation were more concerned about Errors, but less concerned about the security of transactions on the Net, which has generally been the focus of government regulation. Also, consumers from countries with already high levels of government regulation of information privacy were more likely to favor the introduction of even stronger regulation. The effect of Web privacy knowledge was not significant, which suggests that consumer education may not decrease CFIP, at least for Internet consumers with high levels of education, as our sample had. Internet experience reduced CFIP.

There were significant residual differences between the six regions. Respondents from every other region were more in favor of government regulation than U.S. consumers. Compared to respondents from the U.S., respondents from the UK and Ireland expressed significantly greater CFIP overall. These results suggest that managers should select a range of options, at the regional level if not the country level, from which customers could personalize their privacy preferences.
References


