Privacy Concerns Are Relative and Malleable: Implications For Online Behavioral Advertising

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Online social networks implicitly assume that people rely on pre-defined privacy preferences to control their online privacy. In four experiments, we show how people's privacy preferences, as well as subsequent self-disclosure, can be increased or decreased by manipulating their subjective relative value, while holding the objective value constant.

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EXTENDED ABSTRACT

Behavioral and targeted advertising promises significant gains for firms and reduce search costs and better meet consumer needs (Chen & Stallaert 2010; George & Hogendorn 2012; Yan et al. 2009). The adoption and effectiveness of such approaches, however, has been hampered by consumer privacy concerns (Acquisti & Varian 2006; Goldfarb & Tucker 2011; Tucker 2011). To address these concerns while allowing for marketing innovations, policy makers, with general consensus from industry, have advocated increased transparency of firm data practices and more consumer control over how their personal information is used and shared (FTC 2012; Santalesa 2012; White House 2012). However, the landscape for behavioral advertising is constantly shifting including changes in protection afforded to consumers and an increasingly complex set of choices for consumers to navigate. In this paper we argue, and provide supporting evidence, that this shifting landscape has the potential to limit the effectiveness of these policy approaches intended to address consumers’ privacy concerns. Specifically, we evaluate the impact of reference dependence (Kahneman & Tversky 1979) on the consistency of consumer privacy decision making: both in terms of disclosure and choice of privacy settings.

In our first experiment we evaluated the impact of changing protections’ levels on self-disclosure behavior. We asked participants (N=386, recruited from Amazon Mechanical Turk) to take two separate surveys on (un)ethical behavior in which they were presented short, simple, privacy notices communicating the protection level each survey offers. Between subjects, we manipulated whether protection increased, decreased, or stayed the same from the first to the second survey. We found that participants presented with decreasing protections were 14% less likely (χ²(1) = 8.56, p < .01) to admit to unethical behavior relative to participants that were presented no change in privacy notices. Moreover, participants that were presented increasing privacy protections were 11% more likely (χ²(1) = 4.70, p < .05) to admit to unethical behavior relative to participants that were presented no change in privacy notices. In the second study we found that this effect was robust in regards to different combinations of privacy settings and also occurred when no default choice was present.

Both these studies demonstrate that privacy preferences are malleable and susceptible to reference dependence effects. The (objectively) same privacy levels (protections in the first study and settings in the second study) were perceived differently if they were presented as either relatively low or relatively high. These relative perceptions of privacy levels also impacted people’s self-disclosure behavior. The implications of these results is that both notice and choice policies intended to address privacy concerns in the context of behavioral advertising may be limited in that consumers may continue to disclose at levels inconsistent with their stated concerns or expected level of privacy protection. Firms that benefit from increased disclosure by consumers for purposes of behavioral advertising may find some value in presenting notices and choices as “more protective” to elicit higher levels of disclosure. However, if underlying consumer concerns remain unaddressed, troublesome and costly privacy incidents may persist, leading to decreased disclosure and trust by consumers in the long term.

REFERENCES


