Chapter 5.10
Privacy Statements as a Means of Uncertainty Reduction in WWW Interactions

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INTRODUCTION

The growth of information technology and its enhanced capacity for data mining have given rise to privacy issues for decades (Mason, 1986). The advent of the Internet and its unprecedented opportunities for communication, community building, commerce, and information retrieval have exacerbated this problem. Online retailers can track users' site behavior in order to create user profiles, enhance the functionality of their Web sites, and target offerings to customers on subsequent Web site visits (Caudill & Murphy, 2000). Although online retailers might use the information they obtain about visitors and customers solely to increase the system's convenience, they may misuse it as well to harass users with personalized advertising material or to pass on user information to third parties (Sama & Shoaf, 2002).

The same information practices that provide value to companies may raise privacy concerns among Internet users (Culnan & Armstrong, 1999). It is the asymmetric information between companies as data collectors and users as data providers coupled with the lack of user control over data collection that causes mistrust and concerns about electronic privacy (Reagle & Cranor, 1999), including, for example, identity theft or the receipt of unsolicited e-mails (Baumer et al., 2004). The most pervasive concern among users is that their information is used for purposes other than those for which it was collected (Turner & Dasgupta, 2003). Over the past decade, media coverage of consumer privacy issues has increased dramatically (Roznowski, 2003). Several highly publicized privacy breaches in recent years have sensitized and alerted the general public to potential data misuse. Cases in point of such incidents include Internet advertiser DoubleClick, which matched anonymous user profiles with personally identifying information and sold these data (Charters, 2002), and RealJukeBox, which collected personally identifying information, including

musical preferences, matched it with the musical files that users had on their PCs, and sold these data (Turner & Dasgupta, 2003).

In view of these threats to information privacy, the winning companies in electronic commerce will be those who understand and respond to people's privacy concerns (Luo & Seyedian, 2004). Corporate privacy policies are capable of dispelling users' fears about privacy infringements by detailing when and how a company collects data. Given that users have been found to have more trust in privacy policies that they perceive as comprehensible (Milne & Culnan, 2004), companies might be able to build trusting relationships with Internet users, if they manage to communicate their data handling practices in a clear and concise manner on their Web sites.

Grounded in Uncertainty Reduction Theory (Berger & Calabrese, 1975), the purpose of this article is to identify shortcomings of online privacy policies and to suggest ways of improving them with a view to easing people's concerns about data handling practices. More precisely, the article looks at the content of online privacy policies, examining systematically what data handling practices companies engage in, which ones they do not engage in, and whether they fail to address important areas of concern. The findings of this analysis together with the findings from a computer-assisted textual analysis provide starting points for enhancing the effectiveness of privacy policies as vehicles for uncertainty reduction in WWW interactions.

This article is divided into six sections. The first section reviews the relevant literature, the second describes the theoretical grounding, and the third focuses on the methodology. The following two sections present the findings of a content analysis and a computer-assisted textual analysis, respectively. Ultimately, the sixth section discusses the implications of the findings for practice and explores avenues for future research.

PRIVACY IN THE INTERNET AGE

Privacy is commonly defined as the right to be left alone (Turner & Dasgupta, 2003). Data privacy is understood as people's right to control information about themselves (Mason et al., 1995) and to control how others use it (Shaw, 2003). The concept of data privacy has become a major obstacle to the success of electronic business models, as the Internet has made it technically easier for companies to gather and disseminate personal, demographic, and behavioral consumer data (Dhillon & Moores, 2001). Although consumers may benefit from the collection of their data with improved customer service and personalized offerings, they may not want these personalized services to be imposed on them and actually may prefer data privacy to personalized offerings (Stead & Gilbert, 2001; Maury & Kleiner, 2002). This section discusses data collection methods on the Internet, the nature of people's privacy concerns, and the usefulness of privacy policies and other remedies against privacy concerns.

Data Collection on the Internet

The primary tool for data collection on the WWW is cookie files, which Web sites place on users' PCs. Every time a user connects to the site, the browser checks the cookies on the hard drive and uploads the cookie, if it matches the site's URL. Web sites place cookies to collect click-stream information when users navigate the site, personalize offerings, record purchases, target advertisements to users, and, most importantly, to eliminate the need for users to re-enter their names and passwords. Users could disable cookies, but usually this means that they do not have access to all features of a Web site anymore (Cunningham, 2002; Szewczak, 2002). However, Whitman, et al. (2001) have shown that Web users are largely unaware of the placement of cookies, which calls for more transparency as to the purpose and methods of data collection.

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