

# Chapter 1.1

## Privacy, Risk Perception, and Expert Online Behavior: An Exploratory Study of Household End Users

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### **ABSTRACT**

Advances in online technologies have raised new concerns about privacy. A sample of expert household end users was surveyed concerning privacy, risk perceptions, and online behavior intentions. A new e-privacy typology consisting of privacy-aware, privacy-suspicious, and privacy-active types was developed from a principal component factor analysis. Results suggest the presence of a privacy hierarchy of effects where awareness leads to suspicion, which subsequently leads to active behavior. An important finding was that privacy-active behavior that was hypothesized to increase the likelihood of online subscription and purchasing was not found to be significant.

A further finding was that perceived risk had a strong negative influence on the extent to which respondents participated in online subscription and purchasing. Based on these results, a number of implications for managers and directions for future research are discussed.

### **INTRODUCTION**

The number of Internet users has continued to grow, with a worldwide population of 934 million as of the final quarter of 2002 (Nua Internet Surveys, 2003). In addition, household users of the Internet are increasing rapidly with 136.6 million Americans and 8.79 million Australians

having online access at home (Greenspan, 2004). As this burgeoning number of household end users of the Internet embarks on new activities online, the issue of privacy and security becomes a major concern for consumers (Milne & Rohm, 2000; Sheehan & Hoy, 2000), governments, and consumer organizations (Consumer Reports Org, 2002; Federal Trade Commission, 1996, 2000a, 2000b; Office of the Federal Privacy Commissioner, 2001a). As a result, specific calls have emerged for end-user research on security and privacy to be extended to household end users (Troutt, 2002). Businesses also recognize privacy as an important positioning tool with, for example, the ISP EarthLink positioning itself on privacy in its competition against the dominant company AOL (Sweat, 2001). Thus, as more users move to the online environment and become more expert in that environment, privacy in the electronic domain (e-privacy) needs specific research attention (Perri 6, 2002). Given the growing number of competent experienced Internet users, e-privacy issues need to be reframed and investigated in the context of their online expertise.

This article focuses on the expert household end user, defined as highly competent experienced Internet users who consistently spend time online, are likely to have subscribed to commercial and/or government Web sites, to have purchased online, and to have Internet access via a home computer. The article proceeds as follows. First, privacy conceptualizations and typologies are examined. Second, theoretical approaches to consumers' online privacy and risk perceptions are addressed, together with the argument that privacy issues from the perspective of the expert online household user need to be considered. Third, the methodology is explained, and results of the two studies undertaken are provided. Finally, findings are discussed, management implications are drawn, and future research directions are identified.

## **CONCEPTUALIZATION OF PRIVACY AND TYPOLOGIES**

The protection of privacy has received growing attention in the literature (Buchholz & Rosenthal, 2002; Charters, 2002; Cook & Coupey, 1998; Hoy & Phelps, 2003; Milne & Rohm, 2000; Miyazaki & Fernandez, 2001) in conjunction with the advances in technology and its applications to the Internet (Sappington & Silk, 2003). There are a number of conceptualizations of privacy, but fundamentally, privacy has been viewed as the right to be left alone (Warren & Brandeis, 1890), manifesting in the definition that other people, groups, or entities should not intrude on an individual's seclusion or solitude (McCloskey, 1980). For many people, there is now an expectation of privacy as a basic consumer right (Goodwin, 1991). However, privacy is not enshrined in constitutional rights nor is it grounded as essential to the operation of a democracy, as free speech is held to be essential in countries like the United States of America. Privacy is, thus, a weak right (Charters, 2002) that may be overridden easily by other legislative rights. Privacy and anonymity also are associated for many with personal freedom and liberty. Specifically, privacy is considered to exist when consumers are able to control their personal information (McCloskey, 1980) or restrict the use of their personal information (Culnan, 1995; Nowak & Phelps, 1995).

Some futurists, for example George Orwell in *1984* (Orwell, 1951), foreshadowed the interest of the state in observing the citizen. More recently, it is the motivation of business in monitoring and maintaining surveillance of customers, which is considered likely to undermine anonymity, privacy, and, thus, perhaps freedom, that has received the most attention (Retsky, 2001). Implicit in the conceptualization of privacy as the ability of individuals to restrict information is the recognition that there may emerge a community consensus regarding which type of personal information is not for public consumption (Charters, 2002).

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