

Business and Privacy



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How do businesses use your information?



Service Providers:

- ☞ Have a desire to keep customers and maintain a low “churn” rate
- ☞ Collect billing information, customer service interactions, and website visits
- ☞ Determine which customers have a higher probability of “churning”
- ☞ Target high risk customers with more offers and incentives to stay

Retail:

- ☞ Customers segmented into RFM (Recency, Frequency, Monetary) groups

Data Brokers:

- ☞ Collect consumer information from a wide range of sources and sell this information to other companies

How do businesses use your information? (Cont.)



E-commerce:

- ∞ Use data mining to target specific ads to specific consumers
- ∞ Amazon's "People who view this item also liked..."

Supermarkets:

- ∞ Loyalty cards
- ∞ Use data mining to determine what consumers will be likely to buy
- ∞ Information about purchases can be used to create a "profile" of a consumer

What protects consumer data?



Federal Trade Commission (FTC): Protecting America's Consumers

- ∞ Mission: To prevent business practices that are anticompetitive or deceptive or unfair to consumers; to enhance informed consumer choice and public understanding of the competitive process; and to accomplish this without unduly burdening legitimate business activity.

Gramm-Leach Bliley Act

- ∞ Requires financial institution to explain their information-sharing practices to their customers and to safeguard sensitive data
- ∞ Financial Privacy Rule
- ∞ Safeguard Rule
- ∞ Pretexting (“social engineering”) protection

What protects consumer data? (Cont.)



The Health Insurance Portability and Accountability Act (HIPAA)

- œ Protects all "individually identifiable health information" held or transmitted by a covered entity or its business associate, in any form

The Electronic Communications Privacy Act/Computer Fraud Abuse Act

- œ Regulate the interception of electronic communications and computer tampering
- œ Class action complaint filed in late 2008 alleged that internet service providers (ISPs) and a targeted advertising company violated these statutes by intercepting data sent between individuals' computers and ISP servers

The Fair Credit Reporting Act

- œ Protect consumers from the willful and/or negligent inclusion of inaccurate information in their credit reports

Terms of Service



- ❧ **Google:** Maintains the right to keep all search history and use it and other user information for future services. Google also tracks users on other websites that use Google widgets or analytics software.
- ❧ **YouTube:** Keeps everything users choose to post. Simply deleting videos from the site does not actually delete them from YouTube's servers. The service also reserves the right to delete user content without warning and can change its terms without notice.
- ❧ **Facebook:** Terms of Service clauses which permit user tracking on other websites and automatic sharing of any data users place on the site with other businesses and services. Users of the Facebook Android app may also be surprised to learn that the ToS includes a clause that allows sound and video recording at any time without user consent.
- ❧ **Netflix:** The ToS for Netflix includes both the right to disclose user information without notice and the waiver of the right to bring a class-action lawsuit against the company.

Privacy laws in the EU



Two main regulations:

❧ **Data Protection Directive**

- ❧ Defines personal data as any information that relates to an “identified or identifiable natural person.”

❧ **e-Privacy Directive**

- ❧ Aimed at ensuring the protection of personal data in the field of telecommunications

What do **you** think?



- ❧ “If companies give me a discount, it is a fair exchange for them to collect information about me without my knowing.”
- ❧ “It is fair for an online or physical store to monitor what I’m doing online when I’m there, in exchange for letting me use the store’s Wi-Fi without charge.”
- ❧ “It is okay if a store where I shop uses information it has about me to create a picture of me that improves the services they provide for me.”

The Tradeoff Fallacy



Study that claims that most Americans do not buy into the “data for discounts” tradeoff

- ❧ “If companies give me a discount, it is a fair exchange for them to collect information about me without my knowing.” **91% disagree**
- ❧ “It is fair for an online or physical store to monitor what I’m doing online when I’m there, in exchange for letting me use the store’s Wi-Fi without charge.” **71% disagree**
- ❧ “It is okay if a store where I shop uses information it has about me to create a picture of me that improves the services they provide for me.” **55% disagree**

Table 1: Characteristics of U.S. Adults in Sample (N=1,506)*

	%
Sex	
Male	48
Female	52
Age	
18-24	14
25-34	21
35-49	30
50-64	26
65-89	9
Race	
White	76
Black or African American	11
Asian or Pacific Islander	4
American Indian or Alaskan Native	2
Mixed Race	3
Other/Don't Know/Refused	3
Hispanic or Latino Background?	
Yes	11
No	88
Don't Know/Refused	1
Household Income Last Year	
Under \$30,000	25
\$30,000 to under \$50,000	19
\$50,000 to under \$75,000	12
\$75,000 and Over	30
Don't Know/Refused	14
Highest Education Level	
Less than high school graduate	7
High school/tech school graduate	25
Some college	33
College graduate or more	34
No answer	1

* In this and all other tables, when the numbers don't add to 100% it is because of a rounding error.

Class Activity



1. It is legal for offline and online stores to charge different people different prices at the same time of day.
2. Pharmacies do not legally need a person's permission to sell information about the over-the-counter drugs that person buys.
3. By law, supermarkets do not need to obtain a person's permission before selling information about that person's food purchases to other companies.

Class Activity (Directions)



- ❧ Use at least **two** ethical theories to determine whether your assigned business practice is ethical
- ❧ Remember to keep in mind:
 - ❧ What are the **facts**?
 - ❧ What is the **moral dilemma**?
 - ❧ What are your **options**?
 - ❧ What are the **consequences** of each option?

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