Chapter 7

Personal Information Privacy and Internet Technology

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Personal information privacy is arguably the most important issue facing the growth and prosperity of the Internet, especially of e-commerce. Protecting personal information privacy has ignited a debate that pits privacy advocates against technology growth enthusiasts. This paper explores personal information privacy on the Internet in terms of the technological challenges to personal information privacy facing individuals, businesses, and government regulators.

INTRODUCTION

There is a feeling of online insecurity in the community of Internet users. The results of a 1998 survey conducted by Louis Harris & Associates, Inc. revealed that worries about protecting personal information ranked as the top reason people generally are avoiding the Web (Hammonds, 1998). A 2000 telephone survey conducted by Harris Interactive found that 57% of Internet users favor laws regulating how personal information is collected and used by Internet companies (Green et al., 2000). A survey by NFO Interactive (www.nfoi.com) found that the safe-keeping of online consumer personal information was the main reason people chose not to shop online. A survey by Jupiter Communications (www.jup.com) found that roughly 64% of respondents do not trust a Web site even if it has posted a privacy policy. The main concern was the handling of credit card data.

On September 9, 1999, *Privacy Times* published the equation “Good Privacy = Good E-Commerce (& Vice Versa).” As events continued to unfold, it became increasingly clear that privacy concerns were plaguing e-commerce. Wall Street began to revalue Internet companies that accumulated customer personal information to target marketing efforts. The FTC told a Senate panel that there were more than 300 online privacy bills to limit the collection and “mining” of personal data pending before state legislatures and Capitol Hill. *Business Week* called the privacy backlash “the privacy penalty” (Stepanek, 2000b). Consumer reaction included an unwillingness to click on Web site banner ads, which in turn lead to advertisers becoming dissatisfied with Web portal effectiveness (Ginsburg, 2000). The director of IBM’s Global Trust and E-commerce services unit has been quoted as saying that privacy and security are the largest inhibitors of moving forward for e-business today (Robinson, 2000).

**WHAT IS PRIVACY?**

In his excellent study on privacy in the information age, Cate (1997) adopted the definition of privacy as “the claim of individuals, groups, or institutions to determine for themselves when, how, and to what extent information about them is communicated to others” from Westin (1967, p. 7). Westin/Cate’s definition is interesting because it allows for flexibility in discussing privacy within the context of the Internet. Whereas many people worry about divulging personal information electronically, other people seem more than willing to give it away, trading their personal information for personal benefits such as free shipping and coupons (Kuchinskas, 2000). However, personalized service is the main benefit. A Web site can save a shopper time and money by storing and recalling a user’s tastes and buying habits (Baig, Stepanek & Gross, 1999). ISPs are willing to allow Web users cheaper access to the Internet provided the users are amenable to having their online behavior tracked for marketing purposes by specialized software. The ISPs share in ad revenues (Angwin, 2000a).

**TECHNOLOGICAL CHALLENGES TO PRIVACY**

Government regulators and enforcement officials have to consider a host of technological challenges to personal information privacy on the Internet.

**Corporate and Government Databases**

The practice of gathering personal information about customers and citizens by corporations and governments is well established. Software is available which is dedicated to analyzing data collected by company Web sites, direct-mail operations, customer service, retail stores, and field sales. Web analysis and marketing software enables Web companies to take data about customers stored in large databases and offer these customers merchandise based on past buying
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