Chapter 4
The Effectiveness of Privacy Policy Statements

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ABSTRACT

An expectation exists in the U.S.A. that operators of business-to-consumer (B2C) Web sites will provide public notice of their privacy and security practices in relation to the personal data that they hold. Such documents are referred to in this paper as Privacy Policy Statements (PPS). The use of PPS has become mainstream in many other countries as well. Privacy and security of personal data are important elements in consumer trust, and hence in a consumer’s decision to make purchases using Internet commerce services. PPS could therefore be expected to play an important role in overcoming the impediments to consumer purchases online. This paper adds to the growing research literature on PPS by developing a research design involving comparison of an organisation’s PPS against a normative template developed on the basis of professional practice and laws, policies, practices, and public expectations around the world. A study of six B2C sites was undertaken, in order to assess the practicability of the design, and provide some initial substantive insight into the contributions that PPS currently make to consumer trust. It appears that many organisations’ PPS may be seriously inadequate, and hence may be more of an impediment to trust than an enabler of Web-commerce adoption.

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INTRODUCTION

Consumers’ perceptions of the security of corporate business systems are dependent on many factors. One important element is the understanding that consumers have of the organization’s privacy practices. In order to communicate those practices, it has become common for operators of B2C eCommerce Web sites to explain their practices in relation to personal data in documents called by a variety of names, including Privacy Policies, Privacy Statements, Privacy Notices, and Information Practice Statements. This paper uses the term Privacy Policy Statements (PPS).

PPS emerged in the U.S.A. in the mid-to-late 1990s. The U.S. has no generic private sector privacy legislation, with successive Administrations and the heavy majority of Congress clinging to the beliefs that business should remain as unfettered as possible, and that self-regulation is an acceptable alternative to genuine regulation of business activities. PPS were intended to be an element in that framework. Their use has spread, however. They have come to be used in jurisdictions where data protection laws exist and the statement’s impacts and purposes are rather different.

To date, a great deal of the literature on this topic has been conducted from the perspective of U.S. law, policy and practices, and most of the empirical studies have been undertaken in the U.S.A. Because U.S. law is so much more permissive than the laws of other economically advanced countries, the U.S. is emphatically not an appropriate context for works that are intended to have meaning for international audiences.

The research, on which this paper is based, adopts an approach different from most prior studies. Firstly, the purpose of the research is to consider the effectiveness of PPS from the perspective of the consumer. Secondly, the work began with a normative template that was previously developed on the basis of professional practice and the laws, policies, practices and public expectations around the world. This has taken into account OECD Guidelines, European Union Directives and laws in European countries, Canada, Australia, New Zealand and Hong Kong.

A study was undertaken to evaluate a number of PPS against that normative template, in order to assess the extent to which they were likely to represent effective protection for consumers’ privacy. This is a further project, in a long-running research program undertaken by the author, in the general area of privacy and information technology, in the particular context of the Internet, and specifically in Business-to-Consumer (B2C) eCommerce. As a result, a substantial number of the c. 80 citations are to prior refereed papers by the author of this chapter. These provide fuller analyses and arguments supporting many of the points made, together with many further references to the relevant literature.

The paper commences by reviewing the role of privacy as a trust factor in Internet-based B2C eCommerce. This is followed by a consideration of the various means
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