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# Privacy

Opportunities and threats for firms and consumers

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Report RUGCIC-2015-01  
 ISBN 978-90-367-7638-7





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# Summary

Background and recommendations





## Attention for consumer privacy is growing

**NSA ignores call for more privacy**

**Privacy breach at CheapTickets: Information of thousands of travellers at risk**

**Dixons, MyCom and iCentre follow consumers through WiFi-signal**

**'US and EU disagree about protecting consumer privacy'**

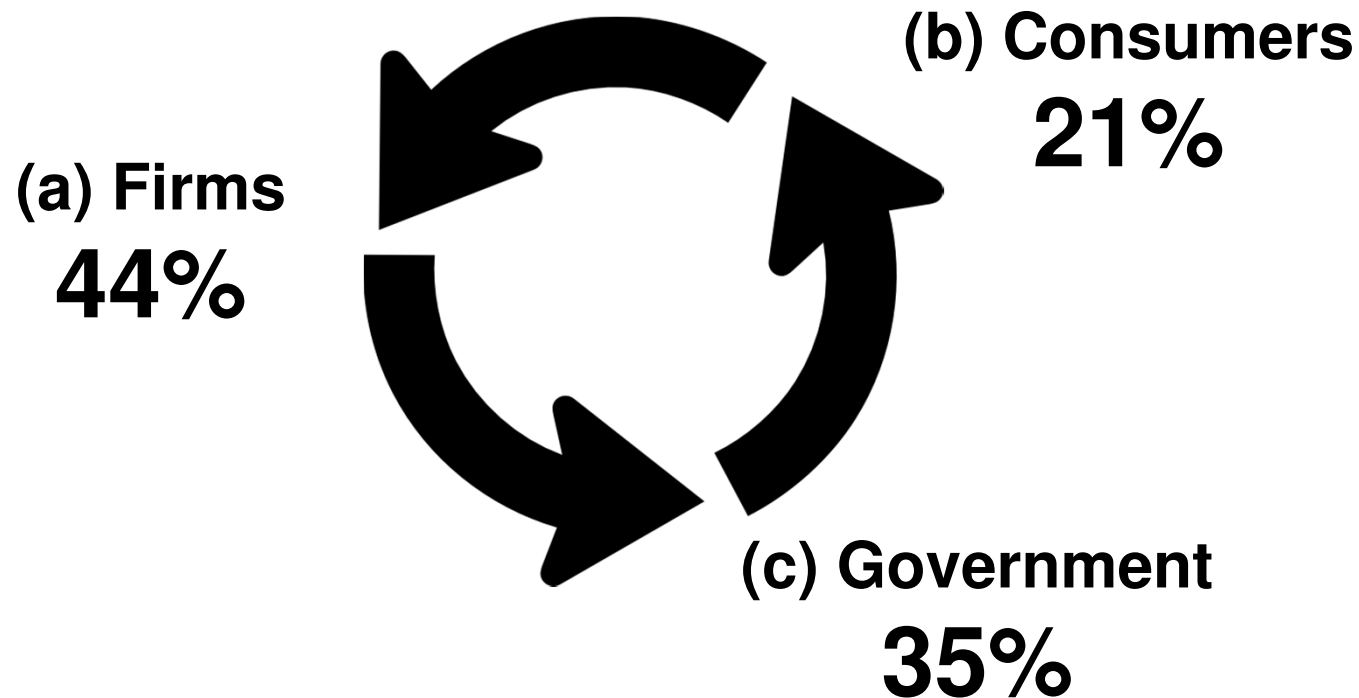
**ING uses transaction data for personalized offerings**

**'Data about investors Aegon leaked'**

**More privacy violations reported than last year**



# Uncertainty about who is responsible for consumer privacy? Firms, Consumers, or Government?



<sup>1</sup>: Survey DDMA (2010): Who is responsible for privacy according to marketers?



## (a) Firms collect more data ('Big Data') used for personalization, but fear concerned consumers and reputational damage

- › Both 'Big Data' and 'Digital Identity' of consumers are valuable for firms and consumers.
- › Data is used to improve internal processes, and personalize customer relationships
- › The increase in data collection seems to '*conflict*' with privacy, and this '*conflict*' is being discussed a lot in the press





## (b) Consumers express their concern, but at the same time they share their personal information

- > Growing number of concerned consumers
- > Consumers share, consciously or unconsciously, their most intimate and/or sensitive information
- > Are consumers indifferent, unconscious, or do they miss control over the collection and use of personal information?
- > Do consumers want more privacy... or do they want more compensation in exchange for giving up their privacy?





## (c) Governments / Regulators want to protect consumers from misuse by firms, leading to more extensive legislation



- > Telecommunication law (1998) → Carried out by
  - Max. penalty: €450,000



- > Data Protection Regulation (2000) → Carried out by
  - Max. boete: €80,000



- > EU General Data Protection Regulation (expected in 2016)
  - European Supervisor
  - Max. penalty: €100,000,000
  - Emphasis on: *Right-to-be-forgotten, Right of Portability, Informed Consent*





# The effect of privacy depends on awareness, control, compensation and context

- › Consumer privacy refers both the access to a consumer and access to information of a consumer, and depends on awareness and control
- › General privacy concern reflects consumers general preference for privacy, but is a poor indicator for how consumers actually behave
- › Most consumers are willing to share information in exchange for (monetary) compensation (*privacy calculus*)
- › This *privacy calculus* not only depends on personal differences but also on contextual differences
  - Which firms requests permission to access me or my information? And which information do they want to collect and use?



## Main recommendations

1. Think of all external stakeholders (consumers, government, media)
2. Make sure your firm handles customer data with care
3. Only collect data that is relevant & congruent
4. Give something back to the consumer
5. Be transparent and communicate the (right) benefits
6. Create a feeling consumers can trust your firm
7. In turn, trust consumers by giving control



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# What is privacy? And what not?

