

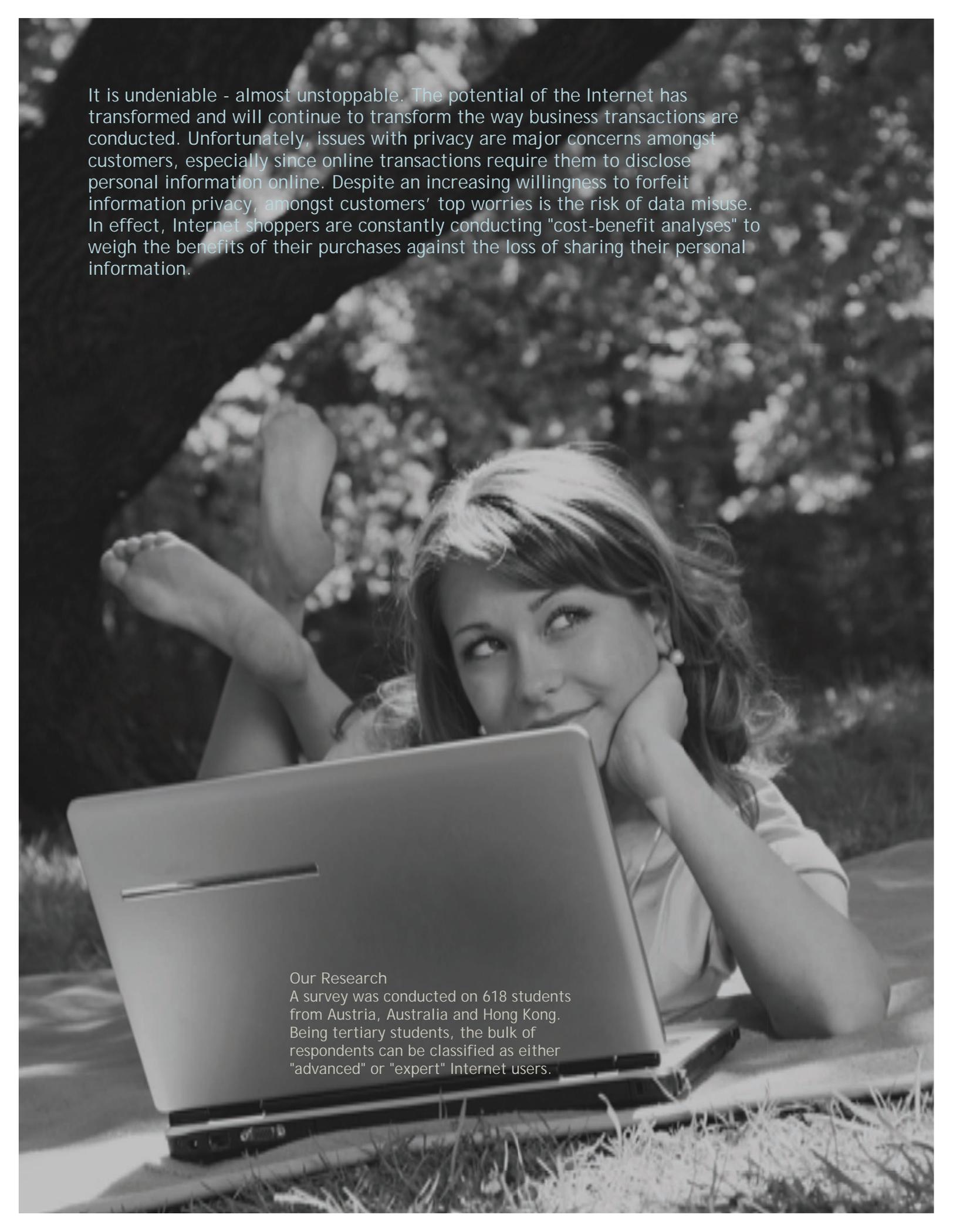


Shopping Online

Will customers disclose private information online?

By Sandy Chong & Horst Treiblmaier

Individuals have to disclose personal information in order to utilize the manifold options of the Internet. Data frequently requested by websites include: name, mailing address, e-mail address, telephone number and credit card number. There are several factors (or antecedents) that influence decisions to provide such details over the Web - some are pull factors, while others simply deter customers. What are these antecedents? How do they affect users' decision to disclose their personal information online? And, what are the implications for online companies? Our team of researchers find out...



It is undeniable - almost unstoppable. The potential of the Internet has transformed and will continue to transform the way business transactions are conducted. Unfortunately, issues with privacy are major concerns amongst customers, especially since online transactions require them to disclose personal information online. Despite an increasing willingness to forfeit information privacy, amongst customers' top worries is the risk of data misuse. In effect, Internet shoppers are constantly conducting "cost-benefit analyses" to weigh the benefits of their purchases against the loss of sharing their personal information.

Our Research

A survey was conducted on 618 students from Austria, Australia and Hong Kong. Being tertiary students, the bulk of respondents can be classified as either "advanced" or "expert" Internet users.



There are three factors that are key to customers' willingness to disclose personal information online.

I. Trust in the Online Vendor

In our survey, we asked Internet users about their past experience with online vendors and then assessed their willingness to be vulnerable to them. With the rising popularity of e-commerce, there is a greater need to disclose personal information online. Yet, there exists a great distrust amongst Internet users against the data collection practices of companies. Often, vendors' competence and reliability in safekeeping information are being questioned.

II. Trust in the Internet

Many users are well aware that even if a company is trustworthy, there is a risk that personal information can be captured during transmission by third parties, who either hack into databases or spoof identities. In our study, we measured trust by asking how reliable users perceive the Internet to be on the whole. It was found that users think it highly possible that losses will be incurred, simply because of the Internet's inability to guard their information.

This perception is regardless of how experienced respondents were in using the Internet.

III. Perceived Risk of Disclosing Personal Information

Even with great trust in the Internet or the online vendor, customers still hold the general belief that disclosing personal information (regardless of context) is a risky act. There are certainly other moderating factors which were not identified in our study. Nevertheless in Web-based commerce especially, the possibility of incurring damages is unavoidable since the transaction partners frequently possess little or no knowledge about each other.

Our study also found that different types of data are treated differently. Across all three countries, disclosing home addresses and telephone numbers was seen to pose more risk as compared to e-mail addresses and names. Unsurprisingly too, the credit card number was the most sensitive data type amongst the five.

Managerial Implications



For companies who wish to establish their B2C e-commerce infrastructure, do consider the fact that many still refrain from disclosing their personal information online. That said, time might be able to change what we see today.

In the long term, it is possible to change users' perception of risk, by establishing a relationship based on trust. For example, brand reputation, carefully crafted privacy policies and secure Internet connections all help to create consumer trust.

Unfortunately, the short run seems to offer fewer options for companies, who are limited by their customers' risk perception. A solution is to collect only data which are less sensitive. Since the collection of financial information (e.g. credit card numbers) deters many Internet users from transacting online, companies should consider using trusted intermediaries e.g. PayPal, or instead offer prepaid or bank transfer options to customers. This ensures anonymity and hence reduces the level of perceived risk.

We have thus far highlighted the privacy "costs" experienced by customers in their "cost-benefit analyses" of transacting online. Yet, there are two other variables (or benefit tradeoffs) that are central to customers' decision to transact online. These include convenience and money factors.

Convenience. Simple website navigation would certainly appeal to convenience-seekers, as would sites that offer highly personalized services or content. Businesses should consider creating an enjoyable and hassle-free online shopping experience for its customers.

Money. The more conservative shopper, on the other hand, is less likely enticed by convenience factors. Rather, businesses may want to consider monetary rewards or low pricing as means to attract this category of customers.

Not one of the three variables - privacy concerns, convenience, money - greatly outshines in importance, which therefore means that vendors must ensure their e-commerce model provides a good balance of all three benefit tradeoffs, depending on the type of customers desired.

Ultimately, any mix of strategies employed must compel customers to accept the threats of disclosing their private information. ■

This article is an abridged version of the following conference paper:

Treiblmaier, Horst and Chong, Sandy (2007). *Antecedents of the Intention to Disclose Personal Information on the Internet: A Review and Model Extension*. In: Proceedings of the Sixth Annual Workshop on HCI Research in MIS, Montréal, December 8, 2007.



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For more information about Verity's global services and innovative business solutions, contact us at:

+61 4 02211373 (Australia)
+65 8337 7178 (Singapore)
info@verityconsult.com

About the Authors

Dr. Sandy Chong
Principal consultant
Verity Consulting Pty Ltd
dr.sandychong@verityconsult.com
[linkedin.com/in/sandychong](https://www.linkedin.com/in/sandychong)

Dr. Horst Treiblmaier
Institute for Information Systems
Vienna University of Economics &
Business Administration
Vienna, Austria
horst.treiblmaier@wu-wien.ac.at



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