

Effect of online privacy information on purchasing behavior



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An Experimental Study in Malaysia

Introduction

The Internet is quickly becoming the world's largest public electronic marketplace. It is estimated to reach 50 million people worldwide and customers are growing with the rate of 10% per month (Wang et al., 1998) Privacy is one of the most important consumer right and major part of e-commerce. Online sellers require personal data of consumer for collection of payments and delivery of products. From merchant perspective this information is consider necessary for assurance and confirmation of order. From customer perspective this is the right of consumer that the information they provide should be kept confidential. This is the major issue that customers are facing in e-commerce, because online companies do not kept their information secret and disclose this information to other stake holders like, government, banks and to cargo service providers. The risk of misusing this information can be lower if online merchants adopt fair information policy; through this policy the risk of leaking customer's information can be

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lower by limiting the collection of personal data to the relevancy of transaction. It is the right of consumer that online merchants should place the privacy statement on their website which will help customer to know the risk of disclosing personal information. But many customers do not give value to these privacy statements and agree with these statements without studying them. For Lack of consumer trust, consumer protection and privacy laws are major barriers in the growth of e-commerce. There are in efficient cyber laws prevailed in the system which denominate the consumer rights. (Hann et al., 2002).

This research will examines whether the efficient display of privacy information plays any role in making purchase decision by consumer. For this purpose previous researcher conducted a survey regarding online privacy and perceived risks associated with online shopping, and they steered an experiment in which participants are asked to take a purchase decision that will affect their private information. So we will structure the experiment as an online shopping experience at existing online merchants, and tested whether signals about the different levels of privacy protection among merchants would affect the participants' price sensitivity and purchase decisions (Tsai et al., 2007)

Our research questions will be as follows:

Do consumers value privacy statements and privacy seals? If so, do they affect consumer disclosure of personal information?

We will guide the exploratory field experiment to determine these matters.

Specifically, we will mix gifts to ensure privacy between the three levels of <https://assignbuster.com/effect-of-online-privacy-information-on-purchasing-behavior/>

treatments and how consumers react to each level. It will be three steps: (1) any information with regard to the adoption of fair information policy will be through the provision of customers, (2) information concerning the privacy of your data will be made available to the client (3) accumulation of the privacy statement, privacy statement is displayed. This research will provide the pressures that arise between the collection and use of personal information that people during the most consumer transactions, and privacy. In today's world, increasingly competitive strategies for successful companies rely on large amounts of customer data. Oddly enough, the same information practices that provide value to organizations also raised concerns about the privacy of individuals. This study assumes that organizations can address these issues and getting the business advantage through customer retention. On personal data given by customers businesses make decision what benefits should be given to customers, and sometimes government require personal data of online customers for making regulatory policies.

Research Objective

- Our first objective is to determine that the effect of online privacy on purchase behavior of consumer either it affects positively or negatively?
- Our second objective would be to determine the impact of monetary benefits on disclosure.
- Our Third objective will be to determine the impact of information incentive on disclosure.

Literature Review

Many researchers worked on determining the effect of online privacy on purchase behavior. Their research finding shows that implementation of fair information policy impacts positively on purchase behavior of consumer. It means that if online merchants adopt fair information policy to keep the personal information of consumer confidential then consumer respond positively in purchase behavior.

In this regard (Tsai et al., 2007) conduct a research to determine the impact of online privacy on purchase behavior. The goal of this study was to determine whether the availability of private information affects purchasing decision of consumer. He used Privacy Finder to display the privacy policies of certain online shopping sites in a fashion that, possibly, reduces the gap of information asymmetry. In his study he found that participants were affected by having this additional information displayed to them. Their experiment shows that that once privacy information is made more visible, people will tend to purchase from merchants that offer more privacy protection and even pay a premium to purchase from such merchants. This was true for both privacy-sensitive and non-privacy-sensitive items.

Another research was conducted by (Brown & Muchira, 2004) in which they steered a relationship between online privacy and purchase decision of consumer Results of a survey study indicate that both errors and invasion of privacy have a significant negative relationship with online purchase behavior. Unapproved use of secondary data seems to have little impact on purchase decision. Data used in this study was collected through

questionnaire survey and sampling technique was used convenience
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sampling. Sampling frame uses in this research was under graduate and post graduate students in East Coast University of Australia and hypothesis was tested using ANOVA. Unauthorized use of data is considered as independent variable while invasion of privacy and errors is treated as dependent variable.

To study the consumer willingness to provide private information (Phelps et al., 2000) conducted a study finding of research shows that there is a strong relationship between level of concern of customers regarding usage of their private information and their purchase intention. Data was collected through questionnaire surveys and ANOVA was used to test the hypothesis.

To investigate the difference in purchase intention of peoples who belongs to different demographics and culture (Bellman et al., n. d.) investigated that to build the trust of consumer internet companies should be allocated on the system of data collection in accordance with customer needs. Research shows that most customers have concerns with privacy regulations prevailing in the country. There is a difference in management and law enforcement on a company's culture.

(Jordaan, 2007) found that the ability to collect and sustain personal information does not show that direct marketers are able to maintain true and honest relationship with customers. Direct marketing organizations need to be careful regarding consumers' collected information and attend to several privacy issues if they want to facilitate relational exchanges between themselves and consumers. A probability (systematic) sampling design was used to draw a representative sample of households with listed telephone

numbers in the different provincial Telkom telephone directories. The sample units were randomly selected, after which 800 telephone interviews were conducted with adults from these households.

(Papacharissi & Fernback, 2005) Evaluate the effectiveness of privacy statements and focus on language, format, assurances of privacy, and the complexity of the legal and technical aspects, and the perceived credibility of the statement. Analysis of the content of privacy statements that data privacy is always protected the interests of customers as it is a legal guarantees to the companies concerned. Instead, we found that although the data was widespread and extensive in most major business portals, such as Google, Yahoo and AOL, several smaller trading portals don't feature them at all, or at least featured much less widespread, and reassure versions. The main gates were much more likely to feature lengthier statements, certified by TRUSTe, perhaps because they had the personnel to dedicate to this important task, and they can afford to provide full privacy disclosure

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