

Online consumers willing to pay premium for Net privacy, study says

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Online consumers thought to be motivated primarily by savings are, in fact, often willing to pay a premium for purchases from online vendors with clear, protective privacy policies, according to a new study in the current issue of a journal of the Institute for Operations Research and the Management Sciences (INFORMS).

"The Effect of Online [Privacy](#) Information on Purchasing Behavior: An Experimental Study" is by Janice Y. Tsai, Serge Egelman, Lorrie Cranor, and Alessandro Acquisti of Carnegie Mellon University. The study appears in the current issue of the INFORMS journal *Information Systems Research*.

"Our study indicates that when privacy information is made more salient and accessible, some consumers are willing to pay a premium to purchase from privacy protective websites," write the authors.

When shopping online for batteries, participants in one phase of the study made significantly more purchases from sites rated "high privacy" (47.4%) than participants buying from sites rated "no privacy" (5.6%).

Offering a sense of consumers' [willingness](#) to pay extra to insure privacy, in another phase of the study participants demonstrated that they would spend an average additional 59 cents for batteries from vendors that offered better [privacy protection](#).

The authors note that most online privacy policies are difficult for

consumers to use and are often overlooked. Challenging a predominant belief that consumers would not sacrifice for greater [Internet privacy](#), they designed their research to determine if consumers would pay extra to make a purchase at an online store whose privacy policy was medium to high and could easily be determined.

The authors conducted the online shopping experiment in the Carnegie Mellon Usable Privacy and Security (CUPS) laboratory in Pittsburgh, Pennsylvania. The experiment was designed so that participants faced actual privacy concerns and monetary incentives.

Participants were recruited from the general Pittsburgh population; they had to be at least 18 years old.

In constructing the experiment, the authors presented subjects with Privacy Finder, a [search engine](#) that annotates a user's Google or Yahoo! search results with privacy meter icons.

In the first portion of the study, an online concerns survey, the researchers identified the most pressing types of online privacy concerns and which types of products would be most likely to elicit such concerns in a purchasing experiment.

The authors then invited a different set of participants to test a new search engine in an experimental setting. These participants were asked to search for and purchase products online using the search engine shopping interface. Participants were randomly assigned to three groups: one group did not see any privacy meter icons associated with the search engine results; one group saw the icons, but was told that they were indicators for the degree of "handicap accessibility" of the website (a characteristic chosen as a "control" condition precisely for its irrelevancy to most consumers' online decision processes); the last group saw the icons and were indeed told that they were indicators for the degree of

privacy protection offered by the website.

The authors announced that they would be conducting studies for an online shopping project in which they would pay participants to make online purchases with their own credit cards. Each participant would receive \$45 to cover the cost of the purchase – as an incentive to shop smartly, they were permitted to keep the change from their purchase – plus a \$10 reward for participation.

The authors selected products that the subjects were instructed to purchase online. One was an office supply, an eight-pack of Duracell AA batteries; the other, in contrast, was a vibrating sex toy, the "Pocket Rocket Jr." The products had an average cost of \$15 per item, including shipping. The products were available from a variety of real websites with diverse [privacy policies](#).

Because participants used their own credit cards to pay for the products, their personal information was exposed to real merchants during the study. The websites were real merchant sites. Purchasing either item forced individuals to reveal personal information (their credit card number) to unknown merchants; this arguably may have raised [privacy concerns](#). However, one item (the sex toy) was more personal and sensitive than the other, and may have therefore elicited greater concerns.

When shopping for batteries, participants in the privacy information condition (those who saw the icons representing the privacy protection offered by the various merchants and websites) made significantly more purchases from the "high privacy" site (47.4%) than participants in the no privacy indicator condition (5.6%) or those in the irrelevant indicator condition. For the sex toy purchases, participants in the privacy information condition also made significantly more purchases from the high privacy site (33.3%) than [participants](#) in the no privacy indicator

condition (0%).

More information: A podcast interview with Prof. Acquisti is at www.scienceofbetter.org/podcast/ and at <http://www.scienceofbetter.org/podcast/acquisti.html>.

Provided by Institute for Operations Research and the Management Sciences

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