

Consumers in the middle of battle over Internet privacy

27 January 2012, By Byron Acohido

Google and Facebook might have finally gotten the average consumer riled up about privacy.

For the past two years, each company has experimented with different ways to divine more and more about how people live their lives on the Internet, without sparking a revolt.

But the plans the rivals announced this week, which critics say could dramatically rev up their respective abilities to gather intelligence on individual [Internet users](#), seem to have struck a chord.

An informal and unscientific survey of [Web users](#) by USA Today found a majority speaking out against the new business practices announced by Google and [Facebook](#).

"It's dangerous for two companies to have so much [personal data](#), regardless of whether the specific threats of that data consolidation are immediately clear," said Sarah Downey, a [privacy analyst](#) at [software maker](#) Abine.

Compelled to tap what many experts predict will be the next big Internet mother lode - online advertising - Google and Facebook laid down very big bets, during a week when European regulators are hashing out strict new rules that could prevent much of what the tech giants seek to do.

Google signaled its intent to begin correlating data about its users' activities across all of its most popular services and across multiple devices. The goal: to deliver those richer behavior profiles to advertisers.

Likewise, Facebook announced it will soon make Timeline - the new, glitzier [user interface](#) for its service - mandatory.

Timeline is designed to chronologically assemble, automatically display and make globally accessible

the preferences, acquaintances and activities for most of Facebook's 800 million members.

Google and Facebook have repeatedly insisted that the changes are intended strictly to improve users' experiences.

"Facebook works the way it always has," spokeswoman Meredith Chin said. "There is no new information on Facebook as a result of Timeline, and no [privacy settings](#) have been changed with the introduction of it. It's simply an updated version of the profile."

But the changes have stirred anger from many consumers. Some, such as Joyce Norman, a writing consultant from Birmingham, Ala., are considering ways to limit their exposure to Google's and Facebook's new business practices. "Mine is not a lone voice crying in the wilderness," Norman said.

Benjammin Gaultney of Montague, Mich., sees it differently, looking forward to the possibility of more appropriate ads coming to his screen. "You have to deal with ads all over the Internet either way," he wrote on USA Today's Facebook page. "Advertisers could at least try to sell me something I'm actually interested in rather than life insurance."

Meanwhile, a high-stakes lobbying effort is unfolding in Washington aimed at shaping policies favorable to U.S. tech companies and blunting any potential move to follow Europe's more conservative proposals to limiting online tracking by companies.

The tech giants sharply increased their lobbying spending last year. Google spent \$9.7 million in lobbying in 2011, up from \$5.2 million in 2010, says the Center for Responsive Politics. Facebook spent \$1.4 million in 2011 vs. \$351,000 in 2010.

The driver: advertising revenue. The global online

advertising market is expected to swell to \$132 billion by 2015, up from \$80 billion this year, according to eMarketer. Google and Facebook are putting their abilities to index individuals' online activity and behaviors into high gear to tap into this market, analysts say.

"If they can make the ads more relevant, the logic goes, they can increase the number of advertisers and the price they can charge per click (on each ad)," said Alex Daley, chief investment strategist at Casey Research. "Because the click will be from more qualified leads - customers who are more interested in the product - they can grow the revenue base."

But security analysts, privacy advocates and technologists say consumers probably should be very concerned. While making richer behavioral data more readily available to advertisers, Google's new data-correlating practices and Facebook's new Timeline and Open Graph, a more powerful way to express preferences on third-party websites, also tend to aid and abet more unsavory uses.

Richer personal details are very beneficial to identity thieves and cyberspies, as well as to parties motivated to use such data unfairly against consumers, such as insurance companies, prospective employers, political campaigners and, lately, hacktivists, security analysts say.

"What these unilateral decisions by Google and Facebook demonstrate is a complete disregard for their users' interests and concerns," said John Simpson, spokesman for Consumer Watchdog. "It's an uncommonly arrogant approach not usually seen in business, where these companies believe they can do whatever they want with our data, whenever and however they want to do it."

Google has a long history of running into privacy problems.

Its Gmail raised hackles early on when the search giant decided to mingle advertising alongside users' email. The move initially concerned people because the ads' relevancy was linked to e-mails inside users' accounts. For example, if a person was writing about buying a car, ads for cars could

appear alongside that individual's email. To many, that felt like a privacy intrusion.

The search giant maintains that such contextual ads, where advertisers can bid on keywords that relate to a users' content, don't reveal personal identities. Gmail users can turn some of the ads off, but adjusting the feature requires some work.

Much of this type of product development is the result of Google taking a very engineer-focused approach to mining data rather than serving consumer interests, say industry experts. Google engineers want to play with technology first, but they think about how the product plays with consumers and privacy second, said IDC analyst Karsten Weide.

When Google tried to build its Buzz social network in 2010 from Gmail contacts, it ran into privacy problems. It began publicizing users' contacts without asking. The Federal Trade Commission last year charged Google with "deceptive privacy practices" in the handling of Buzz.

Google "did not respect" consumers' expectations of privacy, said Helen Nissenbaum, a professor of media, culture and communication at New York University. "They (Google) seem to be doing the same thing here" with the privacy update.

Under terms of the FTC consent order, Google agreed to a 20-year independent review of its privacy practices.

But the changes announced Tuesday may again set it on a collision course with the FTC.

"We do believe the proposed changes - they have not yet been adopted - violate the FTC consent order," said Marc Rotenberg, executive director of the Washington, D.C.-based Electronic Privacy Information Center. Those changes could subject Google to monetary damages under Google's agreement with the FTC, Rotenberg said.

But Rachel Whetstone, Google's senior vice president for public policy and communications, said the company would not have proposed privacy updates that run afoul of the FTC settlement.

"We try to be transparent about the data we collect and give meaningful controls about how data is used," Whetstone said.

There are also concerns about Google's recent move to roll activities on its Google+ social network into users' search results. The opt-in integration of those two Google products mingles profiles, photos and posts of people a user follows on Google+ into the user's search results if they choose.

Whetstone said it doesn't raise privacy issues because the information is viewed only by the user.

Facebook has had its own issues, most recently in November when the FTC announced a broad settlement that requires the company to respect the privacy wishes of its users and subjects it to audits for the next 20 years.

The order, which claimed Facebook engaged in "unfair and deceptive" practices in December 2009, stems largely from the way Facebook handled information its users deemed to be private information.

On Tuesday it announced that Timeline will become the default user interface for all members over the next few weeks.

Combined with the addition last week of some 60 apps specifically written for Timeline, consumers can provide a detailed account, often in real time, of the music they listen to, what they eat, where they shop - even where they jog.

The deeper personal data of Timeline - which Facebook users willfully share - are potentially online advertising gold for marketers and advertisers. This is especially crucial, analysts say, as Facebook steamrolls toward an initial public stock offering this year.

The company is under pressure to increase sales and profits to meet the lofty expectations of shareholders, and online advertising is the most logical place to do that. Facebook gleaned 89 percent of its estimated \$4.3 billion in revenue last year, or about \$3.8 billion, from online ads, according to eMarketer.

"If Facebook has richer behavioral targeting data than Google, then it has an edge up in relevance," said Casey Research's Daley. "And an edge up in relevance is an edge up in revenue."

Some Wall Streeters believe the changes made by Google and Facebook will have only an "incremental" effect on the battle between the two giants in going after online advertising dollars.

Both companies continue to be dominant in their markets, which "tend to be winner-takes-all markets," said Ryan Jacob of the Jacob Internet Fund. Google continues to hold strength in online search and is a strong player in online video with YouTube and in mobile with its Android operating system, he said.

But "Google has a long way to go before it can be considered a credible competitor to Facebook," he said.

Google's moves, if anything, are "somewhat defensive," he said. "For (Google) to maintain their position in search, it's important for them to be players in other areas."

Channing Smith of money management firm Capital Advisors, which owns shares of Google, is more optimistic. "If it continues to put up numbers for Google+, it can be a competitor to Facebook," he said.

Rep. Ed Markey, D-Mass., who has already been pressing Facebook to explain its tracking systems, said on Wednesday that he would ask the FTC to take a close look at Google's new privacy policies.

"Google's privacy policy changes mean consumers can't say no to sharing their personal information across Google's websites," Markey said. "Consumers, not [Google](#), should be able to make these decisions."

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