Consumer Concerns About Data Privacy Rising:
What Can Business Do?

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Executive Summary

J.D. Power conducted a research study with SSI among consumers in the United States, China and India to evaluate concerns about data privacy and its ownership. Results of this research show that consumers’ concerns about data privacy and ownership have increased across the past three decades and remain high. Moreover, results show that concern about personal privacy is an issue for consumers in all countries and across all age groups. To avoid a potential backlash, businesses need to provide transparent data privacy policies to build trust and brand loyalty among all of their customers.

Introduction

If you use search tools such as Google, Bing, or Yelp, participate in social media sites, such as Facebook or LinkedIn, pay bills online, or shop at online retailers such as Amazon.com or Zappos, you are generating potentially valuable information for the companies you do business with. But do you know how these companies use this information?

Although there are U.S. laws that protect the sharing of personal information among companies, those laws focus primarily on healthcare and financial data. Most industries can share data, as long as the company states its intentions in its privacy policy. This raises many important issues about privacy and the use of personal information by companies.

In March 2013, market research company J.D. Power released its Data Privacy and Ownership: What Consumers Think study, examining key questions about data privacy ownership that all business managers face, including: Have concerns about data privacy and ownership changed over time among U.S. consumers?; Are teenagers and young adults today less concerned about the privacy of their personal data than their parents and grandparents?; And while one may expect variances in consumer privacy concerns across China, the U.S., and India, exactly how different are the concerns?

Answers to these questions can help determine whether the privacy concerns of consumers are likely to shift in the future and, if so, how such shifts might impact what actions companies should or should not take regarding the collection, storage, and usage of consumers’ personal information.
Research Design

To address these questions, we administered a 45-item survey using a multi-method of data collection from in-person panels, the web, and random digit dialing (RDD) on both landline and wireless phones. Our survey leveraged previously published items about privacy of personal information to enable comparisons across time (Weston, 2004). Our sample was a cross-market, age-cohort design that included respondents who were at least 13 years old and were located in three markets: the U.S. (n = 5,000), China (n=2,081), and India (n=1,516).

Have Consumer Privacy Concerns in the U.S. Changed Over Time?

Online usage by consumers has increased significantly over the past two decades, so it is reasonable to question whether the increase in Internet access and usage corresponds with changes in data privacy concerns. We asked our survey participants how concerned they are today about threats regarding their personal information and compared the results to those previously published (Klaassen, 2009).

Results of this comparison suggest that the percentage of U.S. adults who reported being “very concerned” about threats to their privacy has increased somewhat over the past three decades but not dramatically (Graph 1). While consumers’ concerns with privacy peaked in 1998, they remain slightly higher than in the earlier decades before the explosion of the Internet.

These findings are also consistent with other research about consumers’ concerns with privacy. A recent study conducted by McCann Truth Central, which specializes in global thought leadership, found that 70% of consumers surveyed across the globe were concerned about the erosion of personal privacy. In fact, privacy concerns ranked as the second most important global event—second only to another global financial crisis (The Truth about Privacy 2011). A number of other studies provide support that consumers’ concerns about personal privacy have changed over time. For example, Westin reviewed the results of over 120 studies published between 1990 and 2002 and reported three key observations (see Westin 2002 for summary of these surveys). First, the collection and commercial use of consumer data has steadily increased across time, an increase that is often invisible to consumers. Second, consumers generally lack full understanding of the nature and extent of what personal data is collected and how

1 The study covers a cross-market of nearly 8,600 consumer respondents ranging in age from 13 years and older in the United States, China and India. Sample for the study was provided by SSI (Survey Sampling International).
companies use it. Therefore, consumers are unable to make informed choices about it. Third, even though consumers lack full understanding of company usage of their data, many report concerns about the privacy of their personal information (Westin, 2003).

Graph 1: Level of Personal Privacy Concern Across Time – U.S. Adult Consumers

[Bar graph showing percentage of consumers very concerned about privacy from 1983 to 2012]

*RDD only; **All methods

To more fully understand consumers’ concerns about privacy, we also compared questions about U.S. adult consumers’ opinions on the handling and security of their personal information. These findings suggest that despite the progress made to improve data encryption and other security measures, consumers’ doubts and mistrust regarding how their information is used remains high, and this will continue to be a critical issue for companies to manage. In 2012, 68% of consumers believed existing laws and organizational practices provided a reasonable level of privacy protection, compared with 51% in 1999. More notable, however, is that 81% of consumers say they have lost control over how their personal information is collected and used by companies, a finding that is essentially the same as that reported in 1999 (Graph 2).
These findings prompted us to investigate consumers’ views about who should be entitled to access different types of personal information. The results from this inquiry provide very interesting insight for companies. We assessed who (e.g., family, friends, government, companies whose products/services they purchase, among others) should have access to different types of personal information. The type of information assessed included various personally descriptive data such as age, Social Security number, and health information, as well as access to activity data, such as social media postings and online activity.

For relatively benign data, such as age, many consumers are willing to allow many, but not all, groups to have access to this information. Surprisingly, only 21% of consumers felt that companies whose products or services they purchased should have access to their age information (Graph 3).
What about online activity? Here is where we see privacy concerns clearly surface. Few consumers think their activity on websites and their social media posts should be accessible to others. In fact, most consumers think that neither companies nor the government should have access to their online activity. This suggests that companies that routinely monitor consumers’ online activity via cookies and through social media are at risk for consumer backlash (Graph 4). Therefore, companies should be judicious and selective in their use of this information and take care to insure that consumers know how it will be used. Our earlier finding also suggests that companies can build trust and brand loyalty across all generations of consumers by providing transparent data policies and making the policies easy to understand and access (Klassen, 2009, Kietzmann, 2012, Pingitore & Detgen, 2013).
Are Younger U.S. Consumers Less Concerned About Privacy Than Older U.S. Consumers?

Since younger U.S. consumers have grown up in a web 2.0 environment, we thought it reasonable to assume they have fewer privacy concerns than older consumers do. Indeed, when we compared privacy concerns across different age groups, we found that concern about privacy increased with age, up to the Baby Boomer generation, and then leveled off with the pre-Boomer generation.

We weighted the response data to be equal to the U.S. census age distribution to ensure representativeness and generalizability, and grouped respondents by age into the following generational categories: Gen Z = 13-17; Gen Y = 18-35; Gen X = 36-47; Boomers = 48-66; and Pre-Boomers = 67 years old and older. We then compared their level of concern about threats to personal privacy to determine whether concerns differed across age of the respondent. (But does this mean that younger consumers are unconcerned about privacy threats? No, not really; younger consumers do have some concerns.)
When we examined the top two box responses (somewhat and very concerned), we saw a much more muted effect than assessment of top-box-only responses. As seen in Graph 5, we found notably less difference in the level of concern, as compared with older generations.

Graph 5: Privacy Concern Across Age Groups

These findings suggest there are significant concerns about privacy across all age groups of U.S. consumers. However, it is reasonable to posit two factors that might explain the somewhat lower privacy concerns among younger consumers. First, those in the Gen Z and Gen Y generational groups may think they have less exposure to various threats to their privacy because they make smaller transactions or have less financial equity overall than older generations. Second, younger consumers may take more actions to reduce their privacy risk, thereby lessening their levels of concern. As seen in Graph 6, consumers in the younger generational groups are more likely to set their social network sites to private than consumers in the older generational groups. In future research, we will seek to assess in detail the factors that affect consumers’ privacy concerns across age groups.

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™
One of the most interesting and potentially challenging issues for companies and market researchers alike is the finding that when consumers in the Gen Z and Gen Y groups do provide personal information, there is a higher likelihood that they will provide false information (Graph 7). Certainly, the finding that nearly 30% of younger consumers openly admit to providing false information on websites and apps raises issues related to how best to identify false information, and more importantly, what actions companies could take to reduce this occurrence.
Do Consumers’ Privacy Concerns Differ Across Markets?

Despite notable cross-country differences in online penetration, privacy laws, and approaches to controlling information access, we found that privacy concerns are similar for consumers of all age groups around the world. For example, the percentage of consumers in India who reported being highly concerned about privacy is equal to that of consumers in the U.S. (41%), but levels for both countries are moderately lower than among consumers in China (50%), (Graph 8). Overall, concern about the management of personal data across countries regarding threats to personal information remains an issue for companies operating in multiple countries. Over 80% of consumers in the U.S. say they have lost control over how personal information is collected and used by companies, while fewer consumers in India (74%) and China (72%) agree.

Graph 8: Privacy Concerns Across Countries

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™
Conclusion

Results of this research show that consumer concerns about the use of their online information and privacy has increased across the past three decades and remains high. Moreover, results show that concern about personal privacy is an issue for consumers in all age groups.

While nearly three-quarters of consumers indicate that existing laws and organizational practices provide a reasonable level of privacy protection, a majority of consumers say they have lost control over how their personal information is collected and used by companies. This raises consumers’ doubts and suggests a lack of consumer trust about how private information is used, a critical issue for companies.

Consumers have strong opinions about who should have access to their personal and online data, which is where privacy concerns surface. Consumers are less concerned with benign data, such as age, but are more concerned about who has access to their online activity. Most consumers think that neither companies nor the government should have access to their online activity via cookies or social media tools.

To avoid a backlash, companies need to provide transparent data privacy policies to build trust and brand loyalty across all generations. While fewer younger U.S. consumers were concerned about their privacy, they indicate they are more likely to reduce their risk with privacy settings and more willing to protect their interest by providing false information. For companies that value the use of online data as a source of consumer insight, it is important that they and the market research community work together to manage actual and perceived efforts to maintain privileged and confidential consumer privacy information. Whether a consumer resides in the U.S., China or India, privacy concerns are remarkably similar around the world for all consumers and age groups.

In summary, privacy does matter. And it likely will continue to matter, as long as consumers feel mistrust about the use of their personal data and until they feel they have more control over how and where their information is used.
About the Authors

Gina Pingitore, Ph.D., is Vice President, Chief Research Officer at J.D. Power. She is responsible for the scientific rigor and oversight of the design and statistical analyses for all syndicated and proprietary studies. Gina joined JD Power in 2002 and has held significant leadership roles in research and science over this period. During her tenure, she has developed models to establish the relationship between various Voice of the Customer measures and business outcomes. More recently, she has focused on measures of customer engagement through database scoring as well as leveraging social media to listen and learn what consumers need. Gina was a licensed clinical psychologist and behavioral researcher and has authored over 60 articles academic and industry journals. Gina received a master’s degree in psychology from Edinboro University of Pennsylvania, and a doctorate in psychology from Loyola University of Chicago.

Jay Meyers, Ph.D., is Director, Analytical Center of Excellence at J.D. Power. He is responsible for developing empirical standards in conjunction with the Chief Research Officer, as well as supporting research design and analysis efforts across the company. Dr. Meyers works closely with the Financial Services and Insurance Division to develop customer satisfaction index models for new studies. His responsibilities also include providing statistical analysis and support for syndicated and proprietary studies. Additionally, he performs research audits and consults with external clients on how they can more effectively measure and utilize Voice of the Customer information. Dr. Meyers joined J.D. Power and Associates in 2001. He has over ten years of direct experience in marketing research and nearly 20 years of experience in satisfaction-related research. Dr. Meyers earned a bachelor’s degree in psychology from Arizona State University, and a master’s degree in social psychology and a doctorate in quantitative psychology from the University of Virginia.

Molly Clancy is a Statistician in the Analytical Center of Excellence at J.D. Power. Molly joined J.D. Power in 2010. She is responsible for advanced statistical analyses of syndicated and proprietary studies in a variety of industries including Insurance, Healthcare, Finance, and Automotive. Molly earned a bachelor’s degree in Economics and a master’s degree in Economics from California Lutheran University.

Kristin Cavallaro is the Knowledge and Data Analysis Specialist at SSI. Kristin Joined SSI in 2006. During her tenure at SSI, Kristin has held positions in both Sales and Project Management, which has allowed her to see different views of the sampling and research process. Upon the completion of her MBA in 2008, Kristin moved to SSI’s Knowledge Team where her main focus is looking into new market and product developments to ensure, maintain, or improve data quality and participant experience. Kristin has a BS in Marketing and an MBA both from Southern Connecticut State University.
References


Appendix

Graph 1: Level of Personal Privacy Concern Across Time – U.S. Adult Consumers

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Graph 2: Opinions About Management of Personal Information – U.S. Adult Consumers

Graph 2: Opinions About Management of Personally Identifiable Information – U.S. Adult Consumers

Graph 3: Who Should Have Access to Personal Data

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™

Graph 4: Who Should Have Access to Online Data

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™
Graph 5: Privacy Concern Across Age Groups

Graph 5: Privacy Concern Across Age Groups

Graph 6: Percent Always/Often Set Social Network to Private

Graph 6: Percent Always/Often Set Social Network to Private

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™
Graph 7: Incidence of Providing False Information on Websites

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™

Graph 8: Privacy Concerns Across Countries

Source: J.D. Power and Associates 2013 Consumer Privacy Research Study™