

How Marketers Can Manage The Privacy Problem

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Transparency and control are key to consumer comfort

Digital privacy involves three main stakeholders: consumers, the government and the advertising industry. Consumers are increasingly concerned about their privacy. Government entities in the US and elsewhere are looking to temper that anxiety through laws, regulations and pressure on the digital ad ecosystem.

And that system, which includes advertisers, agencies, media companies, websites, retailers, search engines and related vendors, is looking to satisfy both government and consumer demands through self-regulation and tools like Do Not Track (DNT) headers.

“There are many key factors in the privacy debate, including control, transparency and value, along with the concept of privacy itself,” said David Hallerman, eMarketer principal analyst and author of the new report, “The Privacy Problem: Marketers, Consumers, Government.” “This makes overhauling privacy and related data issues a convoluted process.”

According to a November 2011 study from the American Consumer Institute, nearly two-thirds of consumers do not trust online companies such as Facebook or Google with their personal information.

There are some straightforward ways to deal with consumers’ privacy concerns. First, the public increasingly values transparency about exactly what data companies collect and how they use it. Another part of the value exchange is offering consumers control over their data. In return, consumers will learn to appreciate the companies that do so.

The specific types of control that internet users want, according to a survey from loyalty management company Aimia, include knowing what data companies collect, a means to opt in to location tracking (instead of the typical default, opt out) and the ability to set privacy preferences once and make them applicable across sites using a portable profile.

However, even though transparency helps calm privacy concerns, many players are not entirely transparent about what they do with audience data and why they are doing it. And control that’s complicated to invoke, as it still can be, will be more off-putting than companies might expect.

“The entire advertising ecosystem must continue to come up with more sophisticated methods of self-regulation, such as the DNT header, and to educate both the public and government about how data is used and its importance in the digital economy,” said Hallerman.

“To both manage consumers’ privacy concerns and assuage government misgivings, the digital advertising ecosystem will have to realize that it shares—rather than owns—audience data,” he continued.

The full report, “The Privacy Problem: Marketers, Consumers, Government,” examines the issue of digital privacy through the lens of the following questions:

- Should there be rules about consumer data collection?
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- If so, who should be allowed to collect consumer data?
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- Who should be responsible for how that data is used?
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- How much should consumers control data collection and usage?
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- How transparent should companies be about their data practices?
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- How can transparency and control contribute to trust?
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- How might a transparent value exchange help maintain a robust digital environment?

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