

Appendix: Privacy Preferences and Personalization

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This appendix presents the summarized results from a recent Ponemon Institute survey dated May 31, 2006 that examined the relationship between consumers' orientation toward privacy and their attitudes about the personalization of Internet content. I have included these results because they appear to support consumers' interest in personalization on the Internet and what technologies such as PersonalWeb can offer.

Our survey reports differences among three consumer privacy groups – privacy centric, privacy sensitive and privacy complacent (defined below).

The three privacy groups are based on over 130 independent studies conducted between 2002 and 2006. Ponemon Institute's Meta analysis revealed the following distribution for adult-aged Americans with respect to their preferences for privacy:¹

- **About 8%** of Americans appear to be *privacy-centric*. Daily events that reduce confidence in their sense of privacy or the safety of their sensitive personal information will have a significant impact on their actions.
- **About 72%** of Americans appear to be *privacy-sensitive*. Privacy is important to them, but they will not change their behaviors or information sharing practices.
- **About 20%** of Americans appear to be *privacy-complacent*. They really don't care very much about the sharing or selling of their most sensitive personal information, such as Social Security numbers.

Our study included a compensated sample of adults who use the Internet one or more hours each day. The total sample size of usable results was 4,782. This sample represents a 13.7% response rate.

Respondents represented all major geographic regions in the United States. All Web-based results were collected from March 7 to March 16, 2006. Respondents were given the following definition before starting the survey process:

What is Personalization?

On a Web site, personalization is the process of tailoring pages to individual users' characteristics or preferences. Personalization is a means of meeting the customer's needs more effectively and efficiently, making interactions faster and easier and, consequently, increasing customer satisfaction and the likelihood of repeat visits.

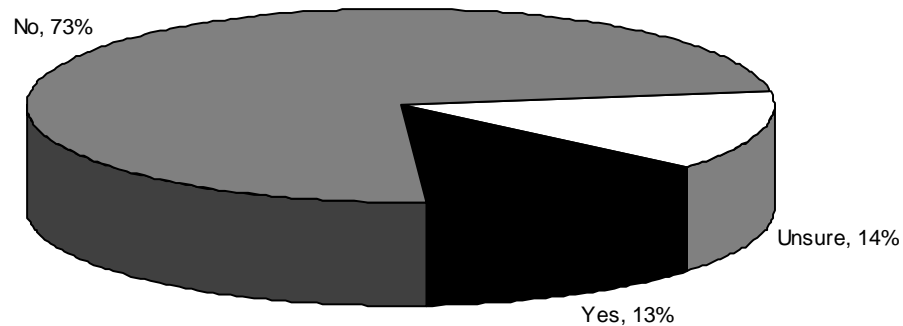
Personalization also includes the practice of writing the e-mail to make the recipient feel that it is more personal and was sent with him or her in mind. This might include using the recipient's name in the salutation or subject line, referring to previous purchases or correspondence, or offering recommendations based on previous buying patterns.

The following pie chart shows that only 13% (or 615 respondents) from the full sample state that they use (or have used) a personalized Internet home page such as MY Yahoo, MY Google, My

¹ These privacy groups are determined from three test questions. One item concerns the importance of privacy for the data subject. A second concerns the data subject's willingness to share sensitive personal information with a trusted organization. A third item asks the subject prioritize privacy-related risks.

MSN or others. Over 73% say they do not have a personalized home page. The remaining 14% are unsure about whether or not they have personalized an Internet home page.

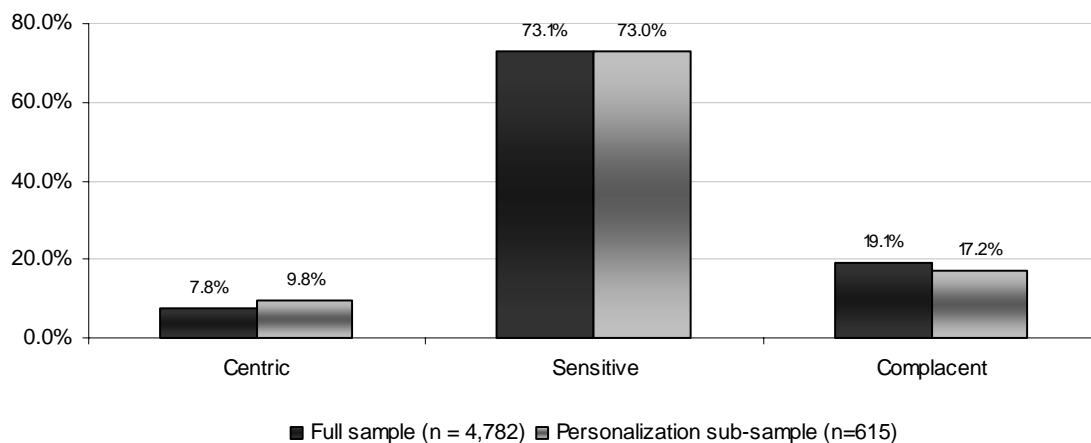
**Full sample distribution by Yes, No and Unsure response to the following item
Do you have a personalized home page?**



The remainder of this analysis focuses on the 615 adult-aged Web users who say that they have personalized a home page. The grouping of privacy-centric, privacy-sensitive and privacy-complacent is based on three proprietary (test) questions at the outset of the survey instrument. Our analysis does not distinguish among personalization providers.

The following bar chart shows the distribution of the full sample (n=4,732) and the personalization sub-sample (n=615). The pattern does not reveal salient between-group differences. In the full sample, 7.8% of respondents are in the privacy-centric group. In the personalization sub-sample, privacy-centric respondents represent 9.8%. This 2% is marginally significant at $p < .01$ level.

Privacy preferences for full sample and personalization sub-sample



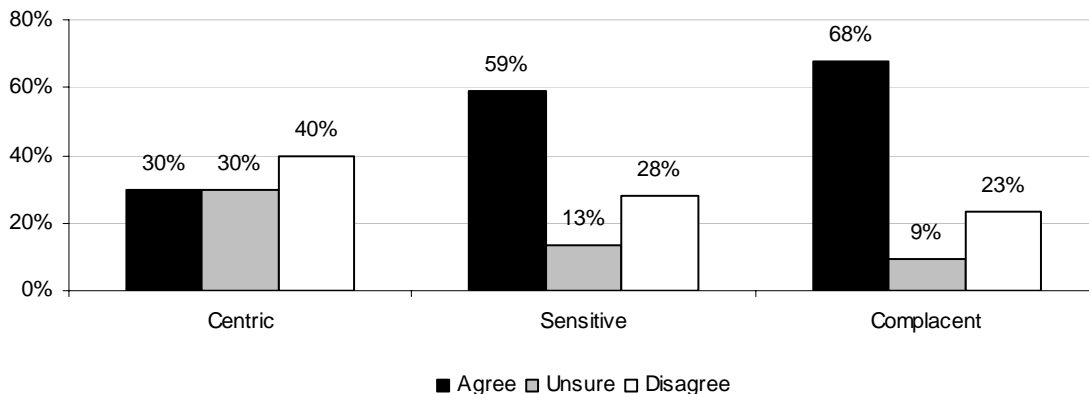
Following are the detailed results for 615 respondents for three primary questions (framed as attributions or statements). For accuracy purposes, responses were captured using a five-point adjective scale: Strongly Agree, Agree, Unsure, Disagree and Strongly Disagree. To simplify our presentation, however, the analysis of responses was reduced into three categories:

- Agree = strongly agree + agree

- Disagree = strongly disagree + disagree
- Unsure

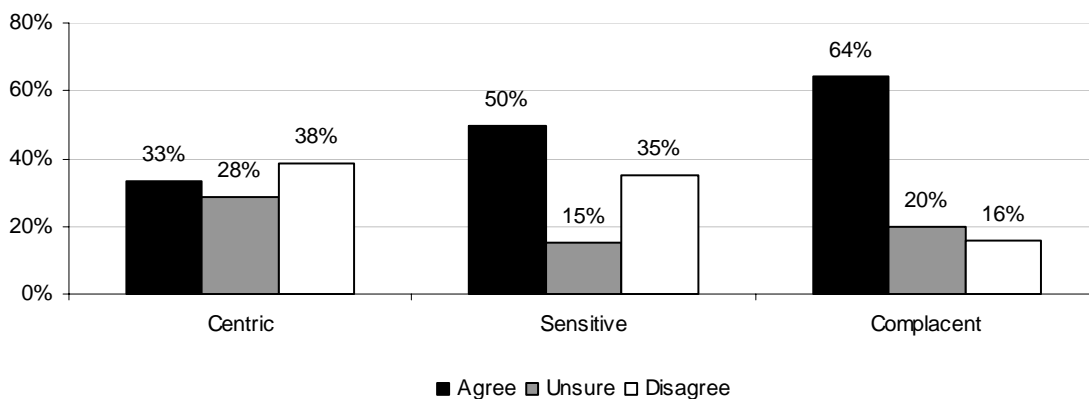
The first attribution is, *“I like receiving emails that display my name.”* As shown, 30% of the privacy centric group agrees with this statement and over 40% disagree with it. Privacy sensitive and privacy complacent groups have much higher levels of agreement at 59% and 68%, respectively. This suggests that a majority of subjects prefer personalized salutations on emails.

**Privacy preferences for personalization sub-sample for the following attribution:
I like to receive emails that display my name.**



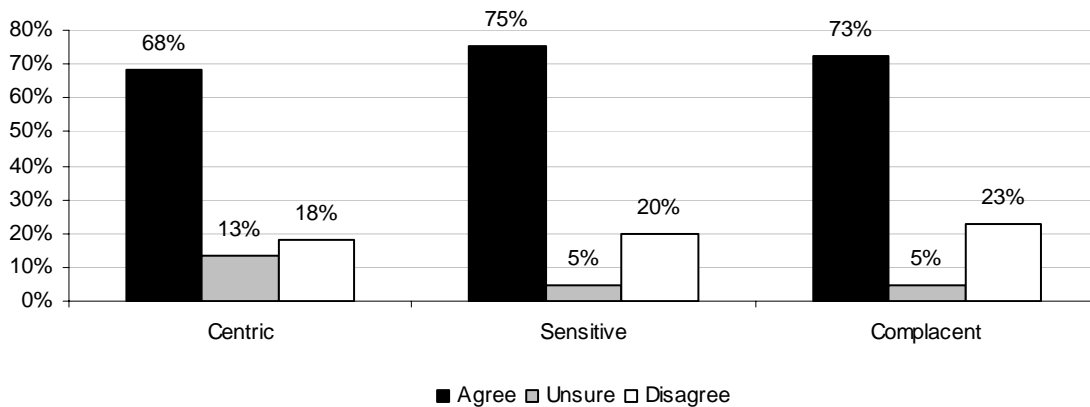
The second attribution is, *“I like receiving promotions and offers that are based on my interests and tastes.”* As shown below, 33% of the privacy centric group agrees with the statement, and 38% disagree with it. Privacy sensitive and privacy complacent groups have much higher levels of agreement at 50% and 64%, respectively. This suggests that a majority of respondents prefer receiving promotions that are targeted to their interests.

**Privacy preferences for personalization sub-sample for the following attribution:
I like receiving promotions and offers that are based on my interests and tastes.**



The third attribution is, *“I like receiving Internet content such as news alerts, weather forecasts, sport scores and other sources of information that are based on my interests and tastes.”* Unlike the above attributions, 68% of privacy-centric respondents agree with this statement, suggesting that the majority of these individuals prefer personalized content. Only 18% of privacy-centric respondents disagree with this attribution. Privacy-sensitive and privacy-complacent respondents have slightly higher levels of agreement at 75% and 73%, respectively.

**Privacy preferences for personalization sub-sample for the following attribution:
I like receiving Internet content that are based on my interests and tastes.**

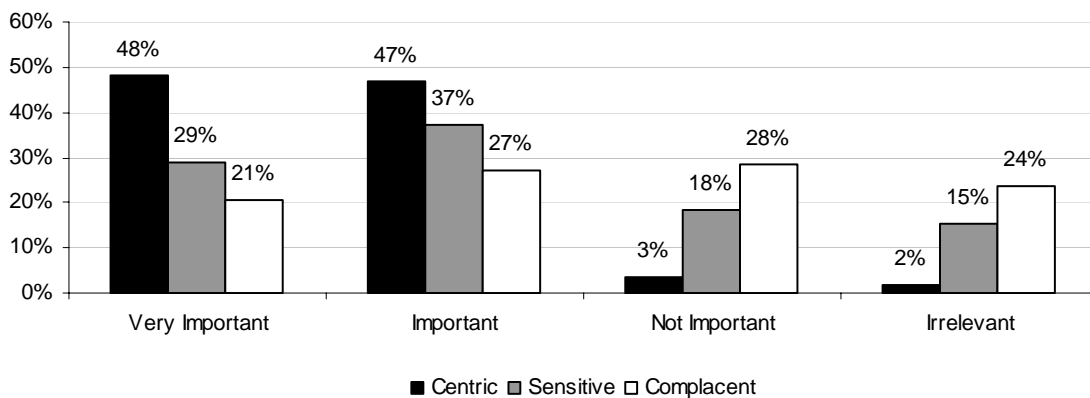


What factors do respondents consider important when considering personalization? Our survey asked individuals to rate three factors using the following four-point opinion scale: Very Important, Important, Not important or Irrelevant:

- Anonymity – Personalization does not capture or keep personally identifiable information.
- Trust – The Internet company or personalization provider is a highly trusted organization.
- Convenience – The personalization process is easy to install and use.

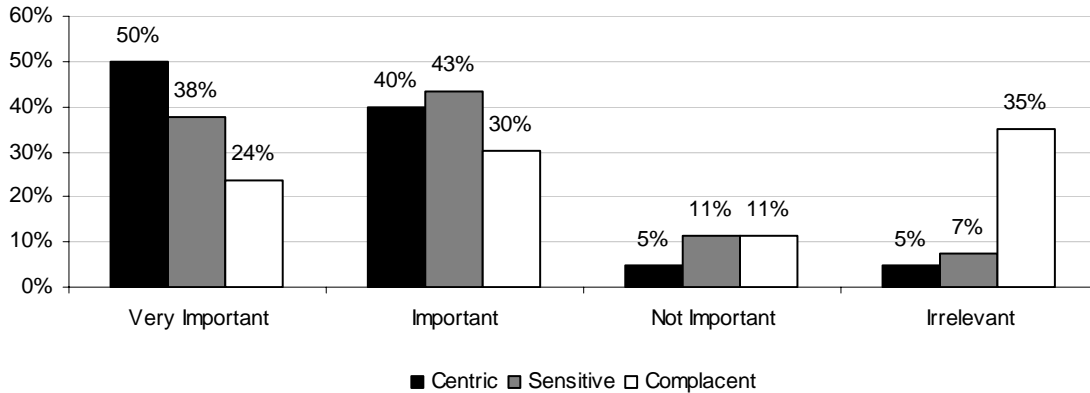
As can be seen, 95% of the privacy-centric subgroup states that anonymity is important or very important to them. Over 66% of the privacy-sensitive subgroup sees anonymity as important or very important, and only 48% of the privacy-complacent subgroup sees anonymity as important or very important.

**Factors that impact consumer's willingness to personalize
Personalization provider ensures anonymity.**



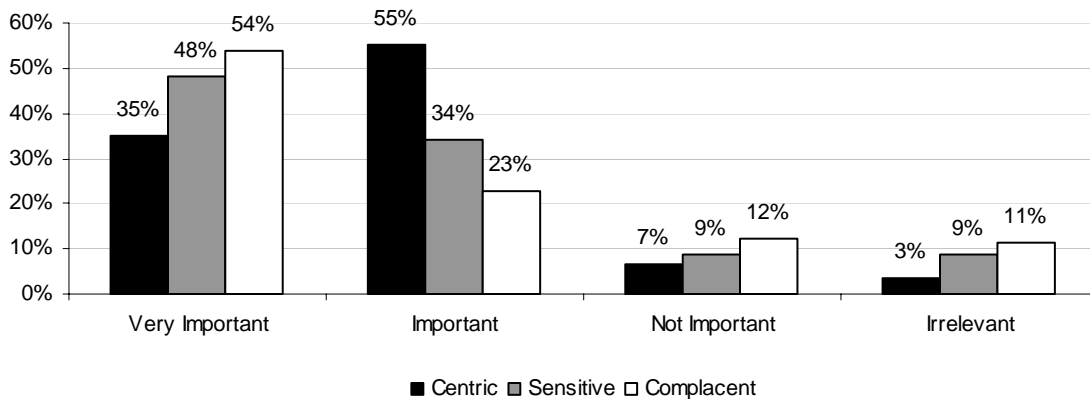
Over 90% of the privacy-centric subgroup views trust (of the Internet company or personalization provider) as important or very important. Over 81% of the privacy-sensitive subgroup sees trust as important or very important. About 77% of the privacy-complacent subgroup sees trust as important.

**Factors that impact consumer's willingness to personalize
Internet company or personalization provider is highly trusted.**



Almost 54% of the privacy-complacent subgroup views ease of use as very important. Another 48% of the privacy-sensitive subgroup sees ease very important. Interestingly, only 35% of the privacy-centric subgroup sees ease of use as very important.

**Factors that impact consumer's willingness to personalize
Personalization is easy to do.**



In conclusion, our findings provide evidence that personalization is not the enemy of privacy. It appears that most respondents who personalized a home page see real value in receiving customized content and targeted offers. While privacy-centric respondents are the most reserve about personalized salutations in emails and targeted marketing offers, they too appreciate the benefits of a personalized Web experience in terms of obtaining rich content on the Internet.

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