

privacy in the
ONLINE WORLD

Online Privacy and Business

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Introduction

Watching Your Online Activity

In 2013 thirty-eight-year-old Georgia resident Andy Morar was ready to buy a new car. Interested in a BMW X5 sport-utility vehicle, he researched the car online, checking sales prices and options. On a local car dealer's website, he typed his name and contact information into an online form. He pressed enter, sending his information to the BMW dealership.

Unknown to Morar, his personal information also went to Dataium, a Nashville company that tracks car shoppers online. Using his personal information and online browsing history, Dataium could create an analysis of the car websites that Morar viewed anonymously and match it to his identity. Dataium could then give this information to the BMW dealer. When Morar walked into the dealership to discuss cars, the sales associate would be armed with detailed knowledge of Morar's research and interests.

Dataium says that tracking car shoppers online gives dealers an advantage. The dealer knows before a customer walks into the showroom if he or she is a serious shopper or just browsing new models. Sales associates also know the specific models and options that a shopper wants, which makes the sales process easier. "So when he comes in to the dealership, [if I'm the sales associate] I know now how to approach him,"¹ says Jason Ezell, Dataium co-founder.

The amount of personal data being gathered online by and for businesses is staggering. According to its website, Dataium observes more than 20 million car shoppers on ten thousand automotive websites every month. It compiles, indexes, and summarizes this information for its clients. According to its website,

with each click, search, and shopping session consumers provide insight about their habits, interests, and future behaviors. Like footprints in the sand, these behavioral events leave behind digital footprints—data. These footprints, when collected, aggregated, and analyzed, provide important information regarding online purchasing behavior and activity, consumer trends, current and future interests and intent, as well as the effectiveness of promotions and web design.²

When people provide e-mail addresses to a dealer, this information can be tied to their name without their knowledge.

Whether the BMW dealership actually used information provided by Dataium when Morar visited its store is unknown. Although the dealership admits that it has used Dataium's analysis to understand how car shoppers engaged with its store, it declined to comment on whether it had used information about Morar. Still, Morar's experience illustrates the expanding business of companies tracking people's activities online, building profiles about them, and selling details about their behavior and personal interests.

Morar's experience also highlights the conflict between online privacy and business. Personal data has become a big business. Companies track the online activities of customers to gain a competitive edge. Information resellers, also known as data brokers, collect thousands of details on almost every American adult. They know what users buy, their race, finances, health, social networks, and web-browsing habits. Other companies specialize in using this data to rank consumers. Some are ranked as "high-value" consumers and receive marketing and offers for premium credit cards and other valuable items. On the other end, some users are labeled as a waste of time, and little marketing money is spent targeting them. A third type of

"With each click, search, and shopping session consumers provide insight about their habits, interests, and future behaviors. Like footprints in the sand, these behavioral events leave behind digital footprints—data."²

—Dataium, a Nashville company that tracks car shoppers online.

company, ad networks, profiles users and sells online access to them to the marketers who buy ad space.

Companies that conduct online tracking of consumers argue that their practices lead to a better, more personalized Internet experience for users. “Tracking technology helps services like Amazon and Netflix make purchase recommendations. Tracking helps newspapers like The New York Times and other online publications place ads that you’ll actually care about,”³ says Fred Wilson, a venture capitalist at Union Square Ventures and an early-stage investor in many web companies. Supporters of tracking also insist the data collection is harmless, mainly because the information that is collected is anonymous.

Others believe that these businesses have crossed the line, violating Internet users’ right to privacy. Several members of Congress and

Thanks to services that track online car buying research, some salespeople know exactly what customers want and whether they are serious about buying a car even before they enter the dealer’s showroom.



Related Organizations and Websites

Bureau of Consumer Protection (BCP)

600 Pennsylvania Ave. NW
Washington, DC 20580
phone: (202) 326-2222
website: www.ftc.gov/bcp

A division of the FTC, the BCP works to protect consumers against unfair, deceptive, or fraudulent practices in the marketplace. Under the consumer information tab, the website has many publications regarding online security topics.

Direct Marketing Association (DMA)

1120 Avenue of the Americas
New York, NY 10036-6700
phone: (212) 768-7277
fax: (212) 302-6714
website: www.thedma.org

The DMA is a trade organization representing data-driven marketers. The website has information about several issues that impact marketers, including privacy and information security.

Electronic Frontier Foundation (EFF)

815 Eddy St.
San Francisco, CA 94109
phone: (415) 436-9333
fax: (415) 436-9993

For Further Research

Books

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