

TRENDS



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Privacy Seals: Opt In Or Opt Out?

When And How To Choose A Privacy Seal

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EXECUTIVE SUMMARY

Consumers are getting more and more concerned about how businesses use and share their personal data. Firms should build consumers' trust and gain their future business by posting a consumer-friendly privacy policy and living up to their promises. TRUSTe and BBBOnLine (offered by the Council of Better Business Bureau) are the big names in the business, but there are many other lower-priced options. Currently, brand recognition and price are the major points of differentiation among privacy seals, but rising consumer pressure and legislative action will create opportunity for change.

TARGET AUDIENCE

Security and risk professional, customer experience professional

SEAL OR NO SEAL?

A privacy seal is an image that you display on your Web site that is granted by a privacy seal provider. It provides easily verifiable assurance to your customers that you care about their private information. Obtaining a privacy seal means that your organization has surpassed a minimum set of guidelines, both for how you collect, handle, store, and share personally identifying information and for how you craft and present your privacy policy.¹ Privacy seals differ from security seals because privacy seal grantors do not review a site's technology in detail, instead examining the business processes and use of personal information.

Privacy Practices Influence Consumers' Opinions And Attitudes

Thousands of consumer Web sites have a privacy seal to communicate that they recognize and care about consumers' privacy concerns. Some sites even have multiple seals. Privacy seals create a perception of the business as a responsible consumer advocate. Why should you follow in their footsteps?

- **Consumers care about their data.** According to Forrester research, 80% of online customers disagree with the statement "It's OK for businesses to share data about my site visits and purchases with other businesses," and 46% still choose to opt out of data collection services on company sites.² Consumers are becoming more aware of companies that share information about their purchase history with external companies — more than 80% of our respondents are concerned.³

- **Good privacy policies also influence consumer satisfaction.** Consumers who rate their providers as doing a good job with the protection of personal information also have a high level of satisfaction with their providers.⁴ In addition, 40% of consumers look for privacy and security policies — a privacy seal makes those policies explicitly visible.⁵
- **Consumer advocacy correlates with future purchase intent.** Show your trustworthiness, which is a crucial part of consumer advocacy, by displaying and adhering to the promises in your privacy policy.⁶ Consumers are more likely to purchase from you in the future if you earn their trust.

Privacy Seals Do More Than Just Satisfy Your Consumers

The reasons for adopting a privacy seal differ based on the size of the company and its industry. Some common reasons are:

- **Small companies want to build credibility.** Small businesses are not as well known to most consumers, but they want their customers to trust them all the same. A privacy seal builds trust with shoppers by being open about privacy practices, which helps small businesses to compete with the big stores. In addition, a number of the vendors, such as PrivacyBot.com, will write a privacy policy for you — a cost-effective option for small businesses that lack in-house capabilities and privacy experience.
- **Larger companies want compliance verification and assistance with dispute resolution.** Privacy seal providers monitor your Web site and ensure that it complies with your stated privacy policy and the provider's own requirements. For a large company with many departments, this consistency is tricky to maintain. An outside observer with an eye toward privacy may more easily catch a business process change's impact on consumer privacy. Another benefit for enterprise Web sites is that all seals assist with dispute resolution as a neutral third party. BBBOnline in particular has extensive experience in the area because of its heritage.
- **It's the norm for the industry.** In the interactive entertainment software industry, vendors have agreed to self-regulate video game ratings and have created the Entertainment Software Ratings Board (ESRB). In 1999, the ESRB expanded to provide a privacy seal for these same companies, and their Internet presence and has become the de facto standard.

But not everyone needs a seal. Many larger companies have written their own privacy policies in very clear and simple language. In fact, the top 10 banking, brokerage, and insurance companies rated highest by their customers for protecting privacy of personal information by US households do not have a privacy seal, but they all have short and clear privacy policies. If your business is a household name, then your own privacy policy and reputation may be enough to assure your customers of your good intentions.

SELECT A SEAL BASED ON YOUR BUSINESS PRACTICES AND TARGET AUDIENCE

Privacy seals have the same basic requirements: You must have a privacy policy, display the seal, and provide a verification link. You must also list the information you collect and explain how you protect it and what you do with it. The provider will also assist you in dispute resolution, acting as a neutral third party between you and your customers. But there are differences (see Figure 1). To choose a seal, ask yourself the following questions:

- **If you share personal data, do your business processes align with seal requirements?** Seal providers have different requirements. Some insist only on disclosure, while others insist on additional privacy-enhancing policies. For instance, BBBOnLine requires that all third parties receiving data must adhere to the same security and privacy requirements as the seal holder, while other providers do not. If your business model relies on widely sharing information or if you cannot reliably adhere to your consumers' wishes for their data, then certain privacy seal providers may not be able to certify your site. Applicant rejection rates vary widely between the seals, depending on their criteria for acceptance.
- **Do you provide content directed at children?** The Federal Trade Commission has established rules, commonly called the Children's Online Privacy Protection Act (COPPA), for Web site operators to make sure that children's privacy is protected while they're online.⁷ Seal providers offering a kids' privacy seal will enforce additional requirements, such as requiring parental consent before collecting some types of information.
- **Do you want safe harbor status for business in the EU?** If you handle personal information from Europeans or wish to exchange information with European companies, then you may have additional privacy requirements.⁸ Privacy seals help you meet compliance requirements by either acting as the required neutral third-party arbitrator or by certifying you. TRUSTe, BBBOnLine, and ESRB Privacy Online are currently approved as safe harbors.
- **Do you already have a privacy policy or need help writing one?** PrivacyBot.com and Guardian eCommerce will write your privacy policy for you, or they will work with your already-existing policy. Other companies, such as TRUSTe, ESRB, and BBBOnLine, will assist you in your efforts and make suggestions for improvement. Writing a privacy policy is not something that can be entirely outsourced; it is entirely dependent on your internal business processes and corporate policies. Therefore, you should expect a strong privacy seal writer to communicate with many internal departments.

Figure 1 Differences Between Privacy Seals

	TRUSTe	BBBOnLine	Guardian eCommerce	PrivacyBot.com	Privacy Secure	ESRB Privacy Online
Mission	Independent, nonprofit-enabling trust based on privacy for personal info on the Internet	Promotes trust and confidence on the Internet	Dedicated to identifying trustworthy eCommerce Web sites worldwide	Provides an automated, cost-effective privacy seal for "mom and pop" Web sites	Helps small, established, privately held businesses establish a legitimate Internet presence	Helps member Web sites comply with privacy protection laws
Pricing	Based on revenue: \$599 to more than \$25,000 for multiple brands	Based on revenue: \$200 to \$7,000	Initial annual fee of \$39.99 (currently discounted to \$19.99 until 12/06); renewal fee of \$25	\$100 per year	Based on number of employees: from \$150 per year for 1-3; up to \$3,600 for more than 5,000	Based on NA revenue: \$200 to \$40,000 per year
Number of clients	1,500	~ 700	~ 500	~ 300	Forrester estimates fewer than 50	~ 35
Geographical availability	English Web sites and companies in Japan	US, Canada, and Japan	US and Canada	US only	Global	US only
Primary market	All company sizes	All company sizes	SMBs, start-ups, brick-and-mortar stores	SMBs	All company sizes	Entertainment software Web sites
How is site reviewed?	Automatic and manual review; surprise checks	Annual review at minimum and deeper reviews if complaints; surprise checks	Reviewed manually and automatically on regular basis; surprise checks	Manually reviewed periodically	Reviewed regularly and upon consumer complaint	Reviewed on quarterly basis and annual self-assessment; surprise checks
Specialty kids' seal	✓	✓	✗	✗	✗	✓
EU data protection/safe harbor certified	✓	✓	✗	✗	✗	✓
Writes privacy policies	✗	✗	✓	✓	✗	✓
Consumers must opt in to collect their data	✗	✓	✓	✗	✓	✗
Only shares data with companies with equally strict privacy policies	Only for EU safe harbor	✓	✗	✗	✗	✗

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Source: Forrester Research, Inc.

ULTIMATELY, YOU'RE BUYING A REPUTATION

Privacy seal companies are leasing you their good name and reputation for site visitors to associate with your own company. That reputation can influence decisions, both outside and inside your corporation. It can also increase awareness of privacy issues in your employees' everyday business. Currently, the seals have only a few small differences in their privacy requirements, such as the permissibility of sharing information with third parties that do not uphold your same security requirements. Therefore, the major differentiator between the seals is their reputation and recognition.

RECOMMENDATIONS

FOR COMMUNICATING GOOD PRIVACY, GO WITH BBONLINE OR TRUSTe

Given that most of the value of the seals is in their recognition and reputation, most organizations will want to select TRUSTe or BBONline. Just be aware that you will pay a premium for the brand recognition that these two firms bring. TRUSTe and BBONline certify the most Web sites and were both pioneers in consumer advocacy, while the Better Business Bureau (BBB) has been helping consumers and businesses in the real world for 90 years.

- **TRUSTe is the market leader in Internet privacy.** TRUSTe has been leading the charge for online privacy policies. As such, it has far and away the largest number of sites using its seals. For tenured Internet consumers, TRUSTe is the most widely recognized. It has a thorough process and will work with you to improve your privacy program and data protection policies.
- **BBB is widely recognized across all kinds of shops.** Given its long history with brick-and-mortar stores, less Internet-savvy consumers recognize the BBB. BBONline is also slightly stricter than TRUSTe in two ways: Businesses may only collect data from those who opt in to data collection, and consumers must be allowed to delete the data that you have collected.

WHAT IT MEANS

PRIVACY SEALS WILL HELP CONSUMERS TO DIFFERENTIATE SITES

Early privacy seal programs had only minimal requirements: Display your privacy policy, and adhere to it. Over time, the requirements have increased. Now, some seals require that you only share data of customers who have explicitly opted in. Forrester sees this trend continuing, with certification requiring stricter data collection, use, and sharing policies.

While some privacy seals will find that clients appreciate the strict requirements and stronger seal meaning, others will find that they balk at limited data use requirements. This trend will serve to differentiate the market, which currently has only small variance among the players. Two forces will influence this shift:

- **Consumers will become more aware of data-sharing risks.** Consumer concern about privacy and identity theft continues to rise. For privacy seals to remain relevant, some may choose to adopt strong data protection requirements for seal holders. But they can't just require their Web sites to confirm to an idealized privacy standard. The trick for privacy seal vendors is to stay in sync with the market as viewed by both consumers and businesses and balance their competing demands.
- **Privacy will attract legislative attention.** Breaches have recently garnered a good deal of media attention and negative publicity.⁹ Online companies such as eBay are highly concerned about the confusion in privacy legislation because privacy rules differ between states.¹⁰ They want consistent laws across their market to protect their business and customers. With both consumers and businesses clamoring for increased privacy of personal data, Forrester believes that new legislation is not far away. Privacy seal providers can be expected to keep abreast of new legislation and tighten their requirements along with the laws, and they could increase their market size as businesses look for help to comply with new privacy legislation.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

BBBOnLine

PrivacyBot.com

ESRB Privacy Online

TRUSTe

Guardian eCommerce

ENDNOTES

- ¹ Personally identifying information is any information that identifies or can be used to identify, contact, or locate the person to whom such information pertains.
- ² Data from Forrester's Consumer Technographics® Q4 2005 North American Healthcare, Customer Experience, And Retail Online Survey reveals that online consumers are concerned about their privacy and take action to protect their personal information. To ease consumers' fears and make the most of data collection potential, companies must provide easy access to clear policies that cover how personal information is collected, used, and protected. See the March 14, 2006, Trends "[Online Consumers Want To Control Their Personal Data](#)."
- ³ Consumers know that companies may use their personal information and purchase histories, and they are anxious about the ramifications: 75% are concerned that one or more of the companies they interact with might use their purchase histories internally, and 80% are concerned about companies sharing their purchase histories externally. See the December 13, 3005, Trends "[The Consumer Privacy Bluff](#)."

- ⁴ Most consumers give their financial institutions passing grades when it comes to protecting their assets from online fraud and protecting the privacy of their personal information. But the consumers who don't feel as well protected are less satisfied with their banks, brokerages, and insurers and are less likely to buy another product from those providers. See the May 2, 2006, Trends "[Consumers Rate Financial Institutions' Online Fraud And Privacy Protection](#)."
- ⁵ Data from Forrester's Consumer Technographics Q3 2005 North American Survey reveals that Internet users in roughly half of North American households look for privacy and security policy information on Web sites. See the December 21, 2005, Trends "[Web Users Want Privacy And Security Policies](#)."
- ⁶ Forrester developed a statistical model that identifies the predictors of the number of products a consumer will consider his or her primary bank for. The strongest predictor — surpassing a number of other factors such as branch satisfaction or one-stop-shop convenience — is customer advocacy. See the August 1, 2005, Forrester Big Idea "[Customer Advocacy: The Secret To Loyal Financial Services Customers](#)."
- ⁷ Special requirements apply when knowingly collecting information from children under 13 years of age. See <http://www.ftc.gov/ogc/coppa1.htm>.
- ⁸ The safe harbor — approved by the EU in 2000 — is an important way for US companies to avoid experiencing interruptions in their business dealings with the EU or facing prosecution by European authorities under European privacy laws. Certifying to the safe harbor will assure that EU organizations know that your company provides "adequate" privacy protection, as defined by the Directive. Source: "Safe Harbor Overview," United States Department of Commerce (http://www.export.gov/safeharbor/sh_overview.html).
- ⁹ AOL released the search history of 650,000 subscribers, but it was poorly anonymized and so queries could be reconstructed and tracked to specific people. Source: Declan McCullagh, "AOL's disturbing glimpse into users' lives," *CNET News.com*, August 7, 2006 (http://news.com.com/AOL+offers+disturbing+glimpse+into+users+lives/2100-1030_3-6103098.html).
- ¹⁰ Meg Whitman, CEO of eBay; Scott Taylor, CPO of Hewlett-Packard; and the Consumer Privacy Legislative Forum are pushing for uniform national privacy regulations. Source: Anne Broache, "Tech titans lobby for national consumer privacy laws," *CNET News.com*, June 20, 2006 (http://news.com.com/Tech+titans+lobby+for+national+consumer+privacy+laws/2100-1028_3-6086039.html).