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PRIVACY COMES OUT OF THE CLOSET

PrivaTimes Helps Make the Hard Decision *the Right Decision*

The PrivaTimes provides insight and techniques for firms concerned with developing Electronic Commerce capabilities. We do this by providing the latest news, trends, product information and techniques that help firms build trust with online customers.

Each article raises your knowledge and skill about online privacy and trust issues.

After reading this issue, you will be able to do the following:

1. Assess whether your approach to the Web is fully customer focused and determine if your web site is destined for greatness.
See Retailing On Line vs. Online Retailing

2. Develop a greater understanding of the importance your customers place on privacy.
See Power to the People

3. Learn from high-profile breaches that it's not only the small businesses that struggle with effective ways of maintaining client privacy.
See When they drop the ball…it drops hard!

4. Raise your awareness of the latest technological advances and risk prevention techniques that boost customers' confidence in your ability to protect their privacy.
See PrivaTrust

5. Create a web site along principles that instill trust in those who visit.
See Building Trust Online - A "How To" Guide

6. Draw upon the lessons of experts to develop or update your online privacy policy.
See Privacy Policy 101: An Introduction

7. Review some of the ground-breaking work in Internet security and privacy conducted by Bennett Gold, Chartered Accountants.
See Innovative Accountants: Internet Privacy Doctors

Web users look upon web sites as being as trustworthy as a used car salesman

"Retailing On Line vs. Online Retailing"

Choose a Web-Maximizing Strategy

Businesses are responding to experts' battle cries of "placing the customer first" by investing heavily in flashy and multi-functional web sites. Surveys reveal that over 95% of North America's leading companies expect to reach some of their customers online by 2001. However, despite the rate at which companies are jumping on the Internet bandwagon, the world's leading business research agencies consistently find that the Web is expected to remain the sales method with the largest untapped revenue potential.

But, why should this be? Why should the Web, with its tentacles growing into more houses and businesses every day, be the least effective way of selling? The answer, and solution, lies in which of the two broad ways a firm approaches the Web.

Firms *retailing on line* use the Web to extend what they already do well. The outcome is modest advances in sales, lack of integration with existing sales channels and limited returns on investment in Web technology. In contrast, businesses that develop *online retailing* expertise use the Web to build trusting relationships with customers and to identify and learn more about clients, competitors, suppliers and themselves.

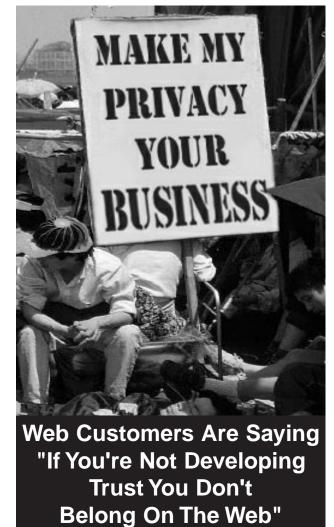| The Two Approaches to Conducting Business on the Web		
	Approach 1: Retailing On line	**Approach 2: Online Retailing**
View of the Web	One more channel for selling goods and services	An opportunity to frequently interact with clients, suppliers and competitors that helps to reinforce and redefine the range of goods or services to be offered
Business Objectives	Increase sales; lower the cost of order transactions by reducing the person-to-person interaction between customer and company representatives	Assist buyers in solving problems - some of which involve buying a desired good or service; establish long-term trusting relationships with customers, suppliers, competitors and relevant communities
View of Competitors	Industry competitors and smaller firms offering similar range of goods and services	Any organization or network of organizations that can provide an existing good or service by building a relationship of trust with existing or potential clients
View of Customers	Buyers, all of whom are essentially equal	Partners, many of whom need consultation, advice and often look to share their specialized knowledge and expertise
Marketing Approach	Focus on acquiring new customers; reliance on brand established in "bricks and mortar" retailing	Focus on retaining existing clients; utilize clients' knowledge about industry to shape service and product offerings; build new web-based brand
Key Technologies	Web page and marketing database	Interactive Selling and Sales emulation systems that help solve buyers' problems

"Power to the People"

It's not the best price. It's not the convenience. And, it's not the fast service. It's knowing their personal information will be kept private. That's what people are consistently saying when asked what will cause them to do business on the Internet.

Ever since the Internet has emerged as a way to sell goods, marketers in every industry have been trying to understand how to encourage consumers and vendors to use this technology for business. For almost 10 years, study after study has pointed to consumers' lack of trust as the primary barrier to conducting business on the Internet.

Studies have also revealed that consumers and businesses alike would buy from organizations with whom they have built a trusting relationship. But nowhere is that message clearer than in the findings from the most current studies exploring barriers preventing businesses and individuals from buying or selling online -

· **63% of consumers who decline to provide personal information to web sites report that it is because they do not trust who is collecting the data. ***

· **92% of consumers would give demographic data to web sites if they felt they could trust the transaction and the organization. ***

· **Over 72% of web users said they would provide data, if the web site would only provide a statement regarding how the information collection was to be used. ***

· **The more experience one acquires online, the more important are concerns of control over personal information. ***

· **When deciding whether to provide**

Web Customers Are Saying "If You're Not Developing Trust You Don't Belong On The Web"

information to web sites, the most important factor is whether or not information will be shared with other companies and organizations. **

· **58% of web users would be more likely to provide basic demographic information to a web site if the site had both a privacy policy and a seal of approval. ****

· **66% of web users fear sending personal information over the Web. *****

· **60% of web users are concerned about privacy and protection of their personal information. *****

· **Lack of trust concerning the use of transaction information is the most significant barrier to adopting the Internet for commerce. ******

· **71% of web purchasers were concerned with privacy of personal information. *******

· **84% of web non-purchasers opted out of Web transactions because of concerns over privacy. *******

The messages are clear for any business venturing onto the web:

(1) taking steps to ensure customers of the privacy of their personal information is a prerequisite to successful online business;

(2) people want control of their own information; and

(3) people will share their personal information when they feel they can trust the organization at the other end of the monitor.

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*Vanderbilt's University School of Management's Building Consumer Trust in Online Environments (1998).

**AT&T's Beyond Concern: Understanding Net Users' Attitudes About Online Privacy (1999).

***Ernst & Young and The Information Technology Association of America's Electronic Commerce Barriers Survey (1999).

****CommerceNet's Barriers & Inhibitors to the Widespread Adoption of Internet Commerce (1996/97/98).

*****Better Business Bureau (1999).

When they drop the ball…it drops hard!
Life's a breach...So be prepared

Why is maintaining privacy over personal information on the Web so important to consumers and businesses alike? The answer is simple. When a firm overestimates their ability to protect their clients' information, any breach can expose massive numbers of people's most personal information. The speed of the Internet also means that such information can be accessed, downloaded, and misused instantly. As a result, the negative consequences of a privacy breach are as wide as the Web itself.

Consider the following examples taken from **http://PrivaGate.com**:

· Late last year, one of North America's fastest growing loyalty groups left unprotected on their site the names, credit card numbers, home and business telephone numbers, employee information, financial information of business and e-mail addresses of over 30,000 customers. To this day, the firm is not sure how long the information was available, for all to see.

· Earlier this year a major North American hospital left unprotected on their site the medical records of several thousand patients for over two months. Among the personal information free for the world to capture was patient names, addresses, phone numbers, personal identification numbers, employment information, and the treatments for specific medical conditions.

· In February, Hallmark Cards, one of the world's leading vendors of greeting cards discovered an error on its web site that could have exposed customers private information to millions.

Industry experts estimate that over $1.5 billion worth of privacy breaches occurred in 1998. That number is expected to rise as more businesses get on the Web without taking the necessary privacy precautions. And even then, that number doesn't include the money sought in lawsuits resulting from privacy breaches. Finally, what makes this most unsettling is that less than 5% of Web privacy leaks ever make the headlines. The large dollar figure is just the tip of the iceberg.

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So, you've got a business. And to reach a broader market you've decided to offer your product or service over the Internet. All studies suggest that to get consumers to cough up crucial, personal information, you must provide assurances that you can be trusted. This is where PrivaTrust comes in. This user-friendly seal of approval combines the latest technologies with the most rigorous criteria designed to improve the privacy of Internet transactions.

To achieve PrivaTrust certification, and acquire the Web's only "Privacy Plate" your web site must: 1) disclose its Internet business and privacy practices, and 2) maintain effective controls to protect all information exchanged as a result of electronic commerce.

PrivaTrust alone uses the latest and most robust technologies to ensure the Plate integrity, including fingerprinting of each Plate, isolated and controlled server hosting of each Plate and documents. and unique digital identifiers.

Building Trust Online: A "How To" Guide

Building trust between you and your online customers is fundamental to the success of all of your e-commerce initiatives. This is what study after study reaffirms. But only recently has anyone identified web design principles and features that produce a sense of a trustworthiness for visitors.

This article summarizes some of the findings from one of the most anticipated studies to date, the E-commerce Trust Study (1999). Armed with these results, you can enhance your web site's ability to instill a sense of trustworthiness for your visitors.

· **While trust develops over time, web sites must communicate trustworthiness as soon as a visitor enters a site.**

· **Online trustworthiness is communicated in various degrees by six key elements:**

1. Seals of Approval. Web-based seals using leading-edge technologies are the most effective method of communicating trustworthiness.

2. Brand. "Dirt world" brand recognition can bring clients to a web site. However, familiarity with a brand does not communicate

You Can't Rely on Your Existing Reputation

trust. In fact, some of the best known brands are not seen as the most trustworthy. Add to this that any brand familiarity established off line is quickly replaced by the attributes established online. Finally, web-based brands consistently brand themselves better online than traditional retail competitors.

3 & 4. Navigation and Fulfillment. Navigation refers to the ease of finding what a visitor wants. Any new web-based brand must build in excellent navigation if it is to be trusted. Fulfillment refers to how orders will be processed and recourse procedures if there are problems. For lesser-known brands, navigation of, and fulfillment from, their web site play significant roles in establishing trust.

5. Presentation. Web sites with the following presentation characteristics communicated trustworthiness: layout that clearly conveyed the purpose of the site; exceptional layout craftsmanship; and similarity with other sites that are trusted.

6. Technology. Users feel that a professionally run site using the latest technology, even if this technology is difficult to fully comprehend, is more trustworthy. The more functional and faster the site, the more the web site was considered worthy of trust.

· Only after consumers believe they have secured control over their own personal data online are they willing to try e-commerce.

· E-commerce web sites can address security and privacy concerns by clearly stating their policies on security and encryption; asking for only necessary information; providing shipping and return guarantees; and providing communications with consumers.

Privacy Policy 101: An Introduction

One of the critical ways to establish a web site that is considered trustworthy is to develop and publicize a substantial privacy policy. This message has sparked some frantic, if not well thought out, activity. A report to the Federal Trade Commission in May of 1999 revealed that only modest advances have been made in the development of consistent and meaningful privacy.

Because so few firms are developing meaningful privacy policies, there are real opportunities for businesses to distinguish themselves from traditional and non-traditional competitors. We summarize the report's key findings and identify additional elements required if you are to develop a privacy policy that will build trust between you and your customers.

Georgetown Internet Privacy Policy Survey key finding: Only 10% of web businesses place statements on their sites to offer and inform visitors of the following:

· What information is collected, how information is collected, how the information will be used and whether it uses or does not use Cookie technology.

· A choice about being contacted again by the same organization and a choice about having non-aggregate personal information collected by the web site disclosed to other parties.

· An opportunity to review or ask questions about the information the site has collected and whether the site discloses how inaccuracies in personal information are handled.

Establishing Trust Just Takes Commitment

· Methods used to protect information during transmission and during subsequent storage.

· A contact number if a consumer wishes to ask a question about the site's information practices or to complain to the company or another organization about privacy.

Additional guidelines for developing your web site's privacy policy:

· Disclose what choices are available to users regarding the collection, use and distribution of visitors' private information.

· Explain the measures employed to ensure the confidentiality, integrity and quality of the visitors' private information.
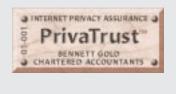
· Identify with whom visitors' private information will be shared.

· Provide your visitors choices concerning the degree to which they want to disclose information. Do not intend/declare that you will collect information and only cease collection if consumers choose to opt-out.

· Integrate your Internet privacy policy into your general business privacy policy and make it easily accessible from any point of the web site.

· Use third-party authentication for added credibility.

· Make clear for yourself, and for your visitors, where your site begins and ends. The trend towards shared content and "sites within sites" create data privacy confusion about whose privacy policy is in operation. Have clearly agreed ownership of customer information and explain to the customer the various uses to which the data may be put.

· Remember to respect the personal information you collect from customers. This information ultimately belongs to them.

Innovative Accountants:
Internet Privacy Doctors

Thinking "Out of the Box" Pays Off for Accountants and Their Clients

While most accountants are trying to save you money, one firm is working to protect your most valuable asset -- your privacy. Bennett Gold, Chartered Accountants (BGCA), is focusing on a niche resulting from the growing volume of business conducted on the Internet. The firm is championing a proprietary service: PrivaTrust - a seal of confidence that attests to the privacy of personal and business information for Internet users before, during and after any exchange of information.

Bennett Gold is well on its way to achieving three powerful goals, as it highlights the importance of Internet privacy.

First, the firm has established itself as a prominent leader in the Internet privacy niche.

· BGCA became the first firm in Canada specially trained and licensed to provide the CICA/AICPA WebTrust certification service. The firm also awarded Canada's first WebTrust seal.

· In 1998, The City of North York named BGCA the "Company of the Year" in the category of "Creativity" for its involvement in e-commerce privacy and security issues.

· BGCA established and contributes regularly to world-wide electronic forums discussing Internet privacy, trust and security issues.

· Robert Gold co-founded the Internet BrainTrust -- one of Canada's only think-tanks dedicated to the development and implementation of relevant e-commerce strategies.

· BGCA speaks regularly to local chapters of professional associations and business groups on the topic of Internet privacy, security and e-commerce fraud.

· BGCA attends and supports National and International conferences and workshops exploring the evolving world of Internet privacy and e-commerce.

Second, Bennett Gold is educating audiences about the risks and opportunities emerging from Internet privacy. These audiences include lawmakers, professional colleagues and the general public.

· Robert Gold is a feature writer, examining e-commerce issues, on the web sites of The Royal Bank and Canada's Quicken Financial Network.

· Robert Gold

· BCGA developed PrivaGate.com, the definitive Internet Privacy Gateway.

Finally, the firm is building its base of clients by heightening awareness of Internet privacy issues, and by increasing its public profile.

· BCGA and the firm's Internet initiatives have been profiled in CA Magazine.

· The firm's e-commerce endeavours have been featured in Canadian and American publications.

As Robert Gold, managing partner declares, "We already know that the strongest barrier to people conducting business on the Internet is trust. By raising the profile of privacy and providing meaningful solutions, we help to increase the volume of business on the Internet. And by helping to establish a trustworthy business environment, everyone wins."

Internet Seals of Privacy:
Most Sink While PrivaTrust Swims

Online seals of privacy are sprouting up quickly in response to the increasing volume of business conducted on the Internet - and consumer demands for privacy protection. Since online seals are granted to businesses, the firm bestowing these seals needs to be carefully considered. When evaluating online seals it's important to make sure the third-party issuers meet the following criteria:

- ◆ **They are held accountable by a professional association.**
- ◆ **They are willing to disclose to consumers their standards for bestowing the online seal.**
- ◆ **They have a rigorous method for measuring compliance to their standards.**
- ◆ **They review enterprises awarded seals at least three times a year.**
- ◆ **They demand more than just fees and an application form before granting a seal.**

Here's how today's top seals of privacy stack up:

Online Seal	Held Accountable for Seal Administration	High Standards that can be reviewed by Consumers	Rigorous Method for Compliance	Conduct Reviews 3 Times a Year	Demand More than Fee
PrivaTrust	✔	✔	✔	✔	✔
BBB Online	✗	✔	✔	✗	✔
TRUSTe	✗	✔	✔	✗	✔
Web Watchdog	✗	✗	✗	✗	✔
BizRate	✗	✗	✔	✗	✗

Rising to the privacy challenge

CUSTOMER SOLUTIONS

It's not too late to tackle the task, says Toronto chartered accountant Robert Gold

Canada's Student Connection

presented evidence to the Federal Government concerning personal information protection on the Internet.

Get in the Game
with WebTrust

Achieve the web's potential . . .
Address privacy & security concerns . . .

"I'm very happy to say that my site is the first in Canada to feature a WebTrust seal. That little icon on your computer screen is your guarantee that buying something from RocketRoger.com is absolutely safe."

- Roger Clemens

www.RocketRoger.com

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