

Ethical Concerns of Web Marketing

Georgine K. Fogel, Fairmont State University

ABSTRACT

Web marketing includes the use of the Internet to inform, promote, and collect information targeted to consumers and the public. Internet users are expected to increase in their expectations for online services. Consumer trends have shown an increase in expectations for customized demand, convenience, e-commerce, and search for information. Marketers have always been concerned about understanding consumer behavior as much as possible. Web analytics is a powerful marketing tool that helps with data collection and behavior tracking. Business technology today is capable to collect, store, and use a vast amount of individual data. However, extensive tracking of an individual's Internet activity, the collection, storage, and selling of consumer data endangers consumers' privacy. The paper explores the challenges of ethical concerns of web marketing and how can consumers benefit from it. Consumer behavior analysis is used to examine the negatives of unwanted email and the annoyance of pop-up ads, as well as, concerns about consumer privacy, online security, and other legal and ethical issues of web marketing.

INTRODUCTION

Web marketing has grown exponentially in the last 5 years. In 1995, \$4.7 million was spent on advertising on the web. By 1998, it has grown to about \$2 billion. By 2000, web advertising had risen to over \$8 billion (Interactive Ad Bureau, 2005). While the growth in web marketing has grown rapidly, the allocation of web advertising as a percentage of the total marketing budget has only been 1.5% of all advertising in the U.S. and less than half of all promotional dollars. The relatively low ratio of web advertising as an expense of the total marketing budget is due to the fact that using the web is relatively less expensive than using traditional marketing media.

While there is an economic justification to web marketing, there are increasing concerns about consumer privacy and ethics. Business technology

today is capable to collect, store, and use a vast amount of individual data. However, extensive tracking of an individual's Internet activity, the collection, storage, and selling of consumer data endangers consumers' privacy.

PREMISE OF ETHICAL CONCERNS

Morse and Morse (2002) examine the rising consumer concerns about the impact of consumer privacy related to web marketing and Internet tracking. There has been a particular concern about the recent merge of DoubleClick with Abacus Direct, the company sold its entire customer database contained in its "cookies" to the other company. This raised serious concerns about individual privacy and the economic benefits of data mining and direct marketing. Morse and Morse (2002) do not to argue for the justification of external sanctions such as government legislation or consumer boycotts against e-commerce. Rather, they attempt to appeal to the e-commerce community to examine the ethical ramifications of data mining and direct marketing that mainly further the financial goals of the business community.

Economic View

According to the economic view, data mining and web marketing enable businesses to identify more accurately the target audience for their product or service, thereby reducing marketing costs. However, the business practice must be ethically justified in light of the potential privacy loss of individuals who transact business over the Internet. From the consumer's perspective, data mining and web marketing practices appear to be ethically justified as long as they reduce the marketing and product costs and allow for more tailored products and services to meet individual consumer interests in a more customized fashion. The "utilitarian justification" holds that the lower costs and individual attention may outweigh the potential invasions of consumer privacy.

Teleological Framework

Morse and Morse (2002) note that protecting individual privacy is necessary both for the individuals and for the promotion of the public good because “privacy is necessary for the individual to flourish as a person.” The extensive tracking of an individual’s Internet activity and the collection, storage, and selling of that data to businesses endangers consumers’ privacy. Privacy is important because it assures “people a space in which they are free of public scrutiny, judgment, and accountability (Nissenbaum, 1984). In a liberal society, private individuals come together to make public decisions that have a positive impact on the common good. An individual is able to make a positive contribution because he/she has a private space to pursue his/her own ends, goals and purposes. Due to its potential impact on society, business must have ethical responsibility not to threaten individual privacy but to contribute to the betterment of society.

DISCUSSION

Privacy versus Economic Benefit

By comparing the importance of privacy against the economic benefits, researchers note that privacy is a “good” that weighs heavily against any derived economic goods that might be gained by its loss. According to Morse and Morse (2002) and Nissenbaum (1984), economic benefits are ends that must be integrated into other individual and social goods .

Businesses are making an ethical error if they consider the economic ramification of data mining as the primary justification for financial gain of the business and not the deeper, social, political and ethical implications of the loss of privacy. Based on this, in order to engage in ethical data mining and web-marketing, businesses must consider how they integrate and utilize the data collection and marketing technologies in a manner that does not take advantage of the consumer’s ignorance of technology and acknowledge the importance of privacy.

The economic justification of data collection on user behavior holds that by having accurate data on customer behavior, businesses can target specific consumers in a more direct manner. Businesses can track the destination and frequency of the Internet user’s visits to various web sites by setting up a

“cookie” that is placed on the individual’s hard drive, giving the user an anonymous identification number. The “cookie” tracks the user’s activities on the Internet: ordering a catalogue, entering a sweepstakes, or purchases made online, the amount of purchase, the type of purchase, product preferences, recency and frequency of purchase, etc.

The information most often collected and voluntarily obtained may include a person’s name, address, telephone number, and some information contained in credit card records. Cattapan (2000) notes that “consumers will no longer be bothered by hundreds of unnecessary ads. Instead they receive messages that are relevant to them.” In “*Destroying E-Commerce Cookie Monster Image,*” Cattapan (2000) explains that data about banner visitation is helpful in reducing the number of banners as it can identify the appropriate banners given the demographics of a certain web site. Based on this, data mining and web marketing can be in fact economically beneficial as it allows for relevant data that helps marketers to better understand the interests and purchasing behavior of their consumers.

Jordan Ayan, founder and CEO of Subscribermail, discusses the importance of market segmentation as part of strategic segmentation and market targeting, noting that businesses can achieve more effective messaging by using web analytics. Segmentation methods may include demographics (age, income, zip code), geo-demographics, click stream, click track, conversions, and purchases. These web analytic tools give valuable information to marketers about customer’s behavior and preferences, from the initial email to the next level of interest. Dynamic filter list can show how different types of customers react to different types of marketing messages. For example, a marketer can create a newsletter with variable content that speaks specifically to the interests of a particular group of consumers. Marketers can customize the message, having customers in California receive a different type of newsletter than customers living in Illinois. The key for achieving relevance in marketing is to make it easy for customers to respond to inquiries.

Morse and Morse (2002) hold that due to the recent technological developments, information on people’s identity has become a commodity. The concern of many is that consumers (individuals) are losing control of who can access their private information and how it will be used. For example,

an individual's ability to control information about himself or herself is an important part of his or her ability to determine how to live, consume, and purchase products and services.

According to Nissenbaum (2000), "when bits of information are aggregated, compiled, and assembled, they can be invasive of privacy even when if taken individually, they are not." Morse et al (2002) believe that intimate knowledge about consumer's behavior ultimately violates a person's privacy. They contend that the utilitarian approach of the economic argument fails on two fronts. On the individual level, the person can no longer control important information about himself/herself. At the societal level, the individual may not enter into certain kinds of discourse deemed unpopular by his employer, local community, or government if he/she know that a predominance of his activities are being tracked.

A recent survey reveals that 69 percent of Americans believe that "consumers have lost all control over how personal information is collected and used by companies" (Han and Maclaurin 2002). The researchers note that 7 out of 10 consumers are concerned about online privacy. Of special concern are the privacy rights of children. In 1998, the Federal Trade Commission surveyed 212 web sites directed toward children. According to this, 89 percent of the sites collected personal information from children. However, 46 percent of them did not include any disclosure of their collection and use of such information. As a result, Congress passed the Children's Online Privacy Protection Act, which requires web site operators targeting children to post privacy policies on their sites. Under this act, Interstate Bakeries was recently required to rework its Planet Twinkie Web site after the *Children's Advertising Review Unit* found that the site allowed children under 13 to submit their full name and phone number without parental consent (DeSabatino, J. 2001).

Milne and Rohm (2001) examine consumer perspectives of data collection awareness and knowledge of name removal mechanism such as opt-in, opt-out, and other direct marketing channels. The study investigates consumer privacy states based on the fair information practices of notice (data collection awareness) and choice (knowledge of name removal mechanisms). Data from national surveys suggest that name removal preference varies by channel, consumer privacy state, channel-specific

purchase experience, and consumer demographics. The study reveals empirical support for alternative approaches such as opt-in methods for removing personal information from direct marketing lists. Ayan (2005) discusses privacy options and the negative effect of pre-created forms that fail to reveal to customers the purpose of data collection. According to Ayan (2005), building trust is a major factor in consumers' decision to develop an information-sharing relationship.

Critical Evaluation

Dettmer (2003) illustrates specifically that spam is time-wasting and offensive, causing major damage to consumer's trust and privacy. Erkki Liikannen's, EU Commissioner for Enterprise and the Information Society, notes that "more direct forms of legal redress are on the way in Europe" (quoted in Dettmer, 2003). In Europe, under the *Privacy and Electronic Communications Directive*, governments were required to implement anti-spam legislation by October 31, 2003. The European business practice calls for companies not to send emails unless the recipients have previously indicated their willingness to receive such promotional material. In the U.S. where the *Direct Marketing Association* has been actively lobbying Congress, the legislation allows unsolicited bulk email by requiring recipients instead to "opt out." The EU has called for international cooperation in the fight against spam. Dettmer (2003) believes that these initiatives need to achieve some form of consensus. If they don't, European mailboxes could be exposed to the risk of being flooded by "legal" spam generated by US-based companies.

Marketers need to commit to listening to the customers. Relevant data gathering is necessary for effective segmentation and it is important to demonstrate in marketing communications how marketers have used the information collected to be useful to customers. An example of business application of consumer privacy is "Keeping Customers: Case Studies in Online Permission Marketing" by Terry, A. (2000). According to the study, "if you are not prepared to offer a custom product or piece of information to the customer that pertains to the information they gave you, you would be training them not to give you information in the future." Terry (2000), notes that the average consumer is bombarded with approximately one million marketing messages yearly, averaging 3,000 a

day. In this environment, “it is not the products you sell, but it is the relationships you develop with your customers that will keep you in business” Judy Luther, Principal of Informed Strategies (www.informedstrategies.com). To foster and maintain customer relationships, marketers today are turning to web-based *Permission-Marketing Programs* and *Customer Relationship Management (CPM)* software. These new tools supplement and replace traditional direct-mail campaigns, giving marketers a new means of communicating with customers.

In permission marketing, the goal is to move consumers up the permission ladder, from strangers to friends to customers, and from customers to loyal customers (Godin 1999). At every step up the ladder, trust grows, responsibility grows, and profits grow. The five levels of permission are: (1) intravenous, purchase-on-approval (highest level), (2) points (liability model and chance model), (3) personal relationships, (4) brand trust, and (5) situation. The sixth level is called spam (unsolicited advertising) mostly perceived as negative among consumers. Permission marketing allows marketers to educate consumers about their products with the customers’ permission. Based on this, marketers have the opportunity to respond to customers in a more customized fashion, “giving them just what they need and addressing it to them personally.”

Ethical Reasons of Business Regulation

Morse et al. (2002) discuss the notion of privacy as a good. However, they fail to demonstrate the virtue-based framework of business ethics. According to the virtue theory, if a business wants its decisions and practices to be considered ethical, it should gear its practices and decisions in a way that reflects a set of excellent character traits. In general, ethical businesses use honest, fair, trustworthy, and temperate practices.

Technology so far outstrips the user’s understanding of the web marketing process, therefore, it is unreasonable for business to assume that the user’s consent to the taking of personal data is explicit. Milne and Rohm (2001) examine consumer perspectives of data collection awareness and knowledge of name removal mechanisms. The privacy dimensions of control and awareness address two major ethical conflicts between marketers and consumers regarding who should

control personal information and how that information should be used. Much of a consumer’s willingness to provide a marketer with personal information depends on the consumer’s risk/benefit perceptions (Milne, Rohm, and Boza 1999). Researchers suggest that consumer risk can be reduced through developing trust and communicating safeguards (Milne and Boza 1999). Similarly, consumer satisfaction can be enhanced by successful past information exchanges and communication benefits. Culnan (2000) highlights the importance of consumer awareness as a mechanism for assisting self-regulation programs. To increase consumer knowledge when no control exists, she suggests that marketers provide notice and opt-out mechanisms. To increase consumer knowledge when control is provided, it is recommended that marketers provide explicit notice, because control mechanisms such as opt-out may be communicated in a “stealth” fashion, in which consumers do not readily notice them.

Milne and Rohm (2001) examine the degree to which consumers desire to restrict or remove their names from lists. The findings help justify self-regulation actions of notice/awareness and choice/consent and point to which dimension requires more emphasis by policymakers. According to this, besides informing consumers of marketing activities and their rights to opt-out of lists, self-regulation efforts should also focus on examining whether the current opt-out mechanisms are adequate to provide consumers with the desired levels of control.

For self-regulation to be effective, consumers should be given a range of opportunities for control. Many consumers prefer opt-in approaches for removing their personal information to lists. According to Milne and Rohm (2001), 41 percent surveyed stated preference for the traditional negative option (opt-out), another 41 percent selected one of the two opt-in approaches and 18 percent of respondents selected the approach that would allow consumers the most control, control of specific uses of particular information types.

Marketing on the web is currently minimally regulated by the U.S. government. At the same time, online consumer privacy has been an increasing concern. Several researchers examine important ethical concerns related to consumer

privacy, appealing to the moral consciousness of business. The privacy dimensions of control and awareness address two major ethical conflicts between marketers and consumers: (1) who should control personal information and (2) how the information should be used. Much of a consumer's willingness to provide a marketer with personal information depends on the consumer's risk/benefit perceptions (Milne, Rohm, and Boza 1999).

Restrictions in the ways that marketers gather and use online consumer information currently include: (1) Banning unsolicited e-mail that cannot be automatically screened out. (2) Disclosing fully and prominently both the marketer's identity and the use which information is being gathered in every communication. (3) Giving consumers the right to bar marketers from selling or sharing any information collected from them as well as to review the personal information collected.

The Network Advertising Initiative (NAI) includes companies that joined to develop a code for self-regulation. The NAI, in conjunction with the FTC, has developed a group of privacy principles that offers consumers explanations of Internet advertising practices. These principles address four areas: notice, choice, access, and security. According to these guidelines, NAI companies contractually require that host web sites provide disclosures and make reasonable efforts to enforce the requirements for consumer privacy regarding consumer notice, choice, access, and security.

Undisclosed profiling – a process by which marketers construct user profiles based on information like name, address, demographics and online/offline purchasing data – is a major ethical concern that undermines the public's trust in the use of new media. While marketers benefit from profiling consumers as it helps them target special market niches and speak to consumers with tailored messages, the FTC stated that web sites that claim they don't collect consumer information but allow advertisers to build profiles are violating consumers and can be charged with deception.

IMPLICATIONS

There are many ethical concern related to consumer privacy. Business needs to be temperate in its use of the Internet so as not to invade consumers' rights to privacy and the control of personal information. Business should act as a social and economic agent for the betterment of society. Privacy is essential to individuals and the common good.

The ethical approach to data mining and web marketing requires that marketers consider the social impact of new technology so that it does not to take advantage of the privacy rights of individuals. Marketers should provide for a free discourse of information exchange that is based increasingly on permission marketing and a full disclosure of information about the nature and use of data collection related to consumer behavior. Marketers need to make consumers aware of data collection practices and activities. In addition, it is important to make customers knowledgeable about available name removal mechanisms and other self-regulating controls and options.

Marketing practitioners need to be constantly engaged in identifying the best practices of consumer behavioral approaches. Data collection and analysis is paramount in marketing decision-making. Researchers and practitioners agree that relevance is gaining more and more importance in achieving effective marketing communication in today's marketing environment (Ayan 2005, Terry 2004, and Godin 1999). The ultimate goal in web marketing is to develop effective marketing strategies to strike a positive and memorable impression (one-voice, one-look identity) on the customer. Web marketing is one element of the total marketing process that needs to be integrated to complement the business strategy in an ethical manner.

Marketers have a privilege when they collect personalized information from consumers, but the downside is significant. If the marketer guesses wrong or abuses the permission, consumers will lose their trust in a heartbeat. Reputation that is negative can be devastating to a marketer. Therefore, keeping consumers' trust is necessary for effective web marketing. In addition, marketers must provide evidence that they have listened to

consumers and the data have been used to improve the marketing of products and services to address specific consumer needs and preferences.

CONCLUSION

Research on the ethical aspects of web marketing has been growing due to the many concerns for the invasion of consumers' privacy. As the fast-evolving technology will continue to be used more and more for reaching consumers, more research is needed on consumer privacy issues in web marketing. Future research is needed on exploring ethical ways of attracting consumers' attention.

Ethical marketing allows consumers to decide whether or not to participate in customer profiling. It also allows for consumers to have opt-out choices not to participate in online advertisements and be given reasonable access to information on what is advertisement and what is not. The labeling of ads clearly and distinctively with a third party "disclaimer" is necessary to develop and maintain trust among the online audience. This practice shows a good-faith effort on the part of the business and it helps consumers sort out what type of information they are dealing with. It makes a balanced approach in marketing.

While there are many advantages of engaging in web marketing, it is important to learn to utilize the information collected on consumer behavior ethically and legally, making sure that consumers benefit from personalized marketing, custom-made products and services, personalized attention, and reduced costs of marketing. One of the challenges is to learn how to make data collection ethical and legal - stay in compliance with the law while you build trust with the consumers.

Ethical practices in web marketing require that businesses consider the social impact of using technology for marketing so that it does not take advantage of the privacy rights of individuals. Business needs to provide for a free discourse of information exchange that is based on permission marketing and a full disclosure of information about the nature of the marketing activity. Offering consumers "clear and inconspicuous" explanations of Internet advertising practices and web marketing

not only meet ethical guidelines but also build trust and long-term relationship with customers.

REFERENCES

- Ayan, Jordan. (2005). American Marketing Association Webcast, August 31, 2005
<https://amawebcasts.webex.com/amawebcasts/ons/age/tool/record/viewrecording1.php?EventID=335662888>
- Cattapan, T. (2000). "Destroying E-Commerce's Cookie Monster's Image," *Direct Marketing* 62 (12), April, 20-24.
- Culnan, M. J. (2000). "Protecting Privacy Online: Is Self-Regulation Working?" *Journal of Public Policy and Marketing*, 19 (Spring), 20-26.
- Dettmer, R. (2003). "Wham, Bam - You've Got Spam," *IEE Review*, 49 (8), 38-41.
- DiSabatino, J. (2001). "FTC Oks Self-Regulation to Protect Children's Privacy," *Computerworld*, February 12, 32.
- Godin, S. (1999). "Permission Marketing: The Way to Make Advertising Work Again," *Direct Marketing*, 62 (2), 60-63.
- Han, P. and A. Maclaurin (2002). "Do Consumers Really Care About Online Privacy?" *Marketing Management*, January-February, 35-38.
- Milne, G. and A. Rohm (2000). "Consumer Privacy and Name Removal Across Direct Marketing Channels: Exploring Opt-in and Opt-out Alternatives," *Journal of Public Policy & Marketing*, Vol. 19 (2), 238-249.
- Milne, G. and A. Rohm (1999). "Trust and Concerns in Consumers' Perception of Marketing Information Management Practices," *Journal of Interactive Marketing*, 13 (Winter), 5-24.
- Milne, G., A. Rohm, and M.E. Boza (1999). "Trust Has to Be Earned," in *Frontiers of Direct Marketing*, Joe Phelps ed. New York: Direct Marketing Educational Foundation, 31-41.
- Morse, J. and S. Morse (2002). "Teaching Temperance to the Cookie Monster: Ethical Challenges to Data Mining and Direct Marketing," *Business & Society Review*, 107 (1), 76-97.
- Nissenbaum, H. (1984). "Towards an Approach to Privacy in Public," in F. Schoeman, ed.,

Philosophical Dimensions of Privacy: An Anthology, Cambridge University Press, Cambridge UK. 209.

Terry, A. (2000). "Keeping Customers: Case Studies In Online Permission Marketing," Seybold Report on Internet Publishing, 5 (3), 9-11.

(2004). "Effective E-mail Marketing 2004: Ten things to Think About This Year," YesMail, retrieved on November 15, 2005 from <http://www.yesmail.com>

