

The Behavioral Effects of Privacy Transparency: An Overview [Working Title]

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Motivation:

Individuals frequently give their personal data to online content and service providers like Facebook or Google in exchange for benefits such as free services, personalization, or simply convenience. This provision of data comes with the risk that the entrusted firm or third parties use the data in undesirable ways from the standpoint of users. For example, firms might price discriminate or display intrusive targeted advertising. Moreover, if the data is not sufficiently protected, it might be stolen in a data breach, leading to severe financial or reputational damage. Policy makers and regulators often urge these firms to be more transparent about their data collection practices so that users can better evaluate the risks of disclosing their data. In consequence, users should be able to make decisions that optimally reflect their preferences regarding privacy. However, experiments and field studies show that individuals' decisions regarding their privacy are not exclusively guided by a rational "privacy calculus". Instead, decisions are affected by framing, timing and other contextual factors. Also, due to biases and bounded rationality, individuals often disclose more personal information in their actual decisions compared to their stated privacy preferences.

Goal:

This thesis aims to give an overview of the literature that studies the effects of transparency about privacy practices on individuals' behavior. In particular, the contextual factors and biases that affect the decision-making process should be summarized. Based on the reviewed literature, the thesis should derive guidelines on how transparency can be optimally implemented from the standpoint of consumers and how firms should choose their strategy regarding transparency.

References and Related Literature:

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- Awad, N. F., & Krishnan, M. S. (2006). The personalization privacy paradox: An empirical evaluation of information transparency and the willingness to be profiled online for personalization. *MIS Quarterly*, 30(1), 13–28.
- Betzing, J. H., Tietz, M., vom Brocke, J., & Becker, J. (2020). The impact of transparency on mobile privacy decision making. *Electronic Markets*, 30, 607-625.
- Karwatzki, S., Dytynko, O., Trenz, M., & Veit, D. (2017). Beyond the personalization–privacy paradox: Privacy valuation, transparency features, and service personalization. *Journal of Management Information Systems*, 34(2), 369-400.