

Notice and Choice Framework for Fostering Marketer Trustworthiness and Ensuring Customer Engagement

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Privacy Regulations: US vs. EU

EU: GDPR

- Comprehensive data privacy law.
- EU residents in EU member states.
- Seven key principles (minimization in data collection, storage limitation, and accountability, etc.)

US:

- Various regulations governing different sectors: COPPA (children), HIPAA (health), GLBA (financial), etc.
- California Consumer Privacy Act (CCPA)
- California Privacy Rights Act (CPRA)



Existing Literature on Privacy

- **Economics:** Acquisti, Taylor & Wagman (2016); Goldfarb & Que (2023); Goldfarb & Tucker (2024), etc.
- **Behavioral:** Acquisti, Brandimarte & Loewenstein (2015, 2020); Kim, Barasz & John (2019), Brough et al., (2022), etc.
- **Marketing:** Martin & Murphy (2017); Martin, Borah & Palmatier (2017), etc.



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“Notice and Choice” Framework

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Notice and Choice Framework

The image shows two parts of a user interface for cookie management. The top part, titled "Cookie Preference Center", contains explanatory text about cookies and a link to the "Cookie Policy". The bottom part, titled "Manage Consent Preferences", is a form with four rows of cookie categories, each with a plus sign on the left and a toggle switch on the right. The categories are: "Strictly Necessary Cookies" (toggle is on), "Functional Cookies" (toggle is off), "Performance Cookies" (toggle is off), and "Targeting Cookies" (toggle is off). Below the form is a blue button labeled "Confirm my choices" and a small logo for "OneTrust" at the bottom right.

Notice

...a statement of the data collection practices (Solove, 2012, Warner, 2020).

&

Choice

...a request for user action explicitly accepting or rejecting specific data use practices (Solove, 2012, Warner, 2020).

Compliance strategy vs. Trust-building strategy



Theory of Information Flow Norms

- ...individuals maintain **established norms** regarding what is **acceptable or unacceptable** concerning the flow of personal information (Brough et al., 2022, Kim et al., 2019).
- ...marketers face a considerable challenge in respecting these context-specific, individual heterogeneities of information flow norms.

Operationalizations of Notice and Choice

Notice strategy a marketer's deliberate method of disclosing the collection and usage of customer data obtained during and/or because of customer interactions.

Operationalization 1: Level of Openness – Global Notice (low level of openness) vs. Detailed Notice (high level)

Hypothesis 1a: Compared to global notice, a detailed notice will positively affect customer engagement behaviors.

Operationalization 2: Message Framing – Positive vs Negative Framing

Hypothesis 1b: Compared to positively framed, negatively framed Notice messages will positively affect customer engagement behaviors.

Choice strategy a strategy that encompasses the mechanisms businesses use to empower customers to control approval for various data handling practices, including the collection, use, and sharing of personal information (Culnan, 1993; Xu et al., 2012).

Operationalization: Choice Architecture – Active Choice vs. No Choice

Hypothesis 2: Compared to no choice, active choice will positively affect customer engagement behaviors.

Operationalizations of Notice + Choice

Notice + Choice Transparency sets the foundation for choice. Without sufficient transparency, choice mechanisms may not be fully comprehensible or even noticeable to consumers (Kan et al., 2014; Lwin et al., 2007; Martin et al., 2017; Smith et al., 1996).

Active Choice	Active Choice & Global Notice	Active Choice & Detailed Notice
No Choice	No Choice & Global Notice	No Choice & Detailed Notice
	Global Notice	Detailed Notice

Hypothesis 3: The “detailed notice & active choice” strategy will be more effective in promoting customer engagement, compared to other mixed strategies.

Impact on Customer Engagement

Mediating Mechanism - *Trust*

Hypothesis 4: The positive influence of privacy strategy on customer engagement behaviors is mediated by customer's perceptions of the firms' trustworthiness.

Moderation Factor – *Privacy concerns vs. Personalization Benefits*

Hypothesis 5a: When customers' concerns are focused on privacy risks, privacy strategies will significantly promote customer engagement.

Hypothesis 5b: When customers' concerns are focused on personalization benefits, privacy strategies will be less significant in promoting customer engagement.



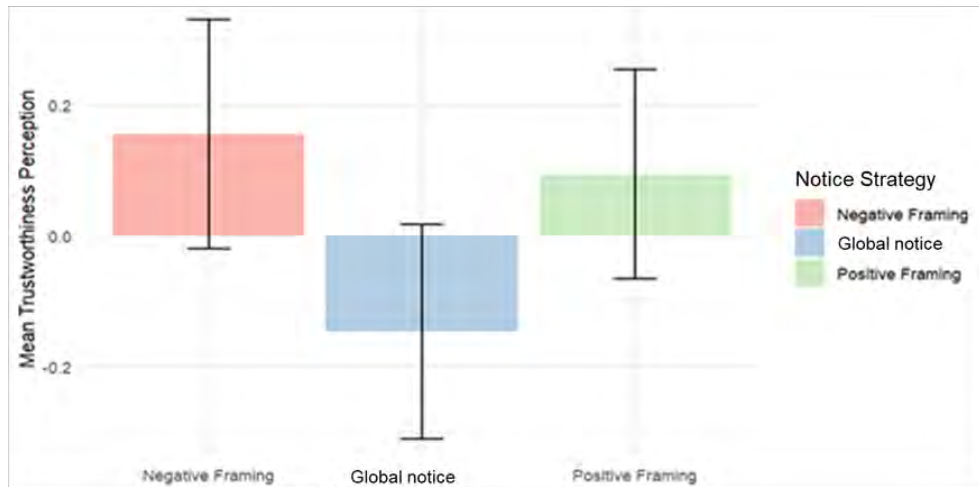
Empirical Results - Study 1a-1b

- Trustworthiness level was marginally higher in the **Detailed Notice**, and significantly higher in the integrity dimension.
- **Negative framing** enhances perceived trustworthiness compared to a no notice condition.
- Trustworthiness perception of **Active Choice** is significantly higher than that of no choice condition.

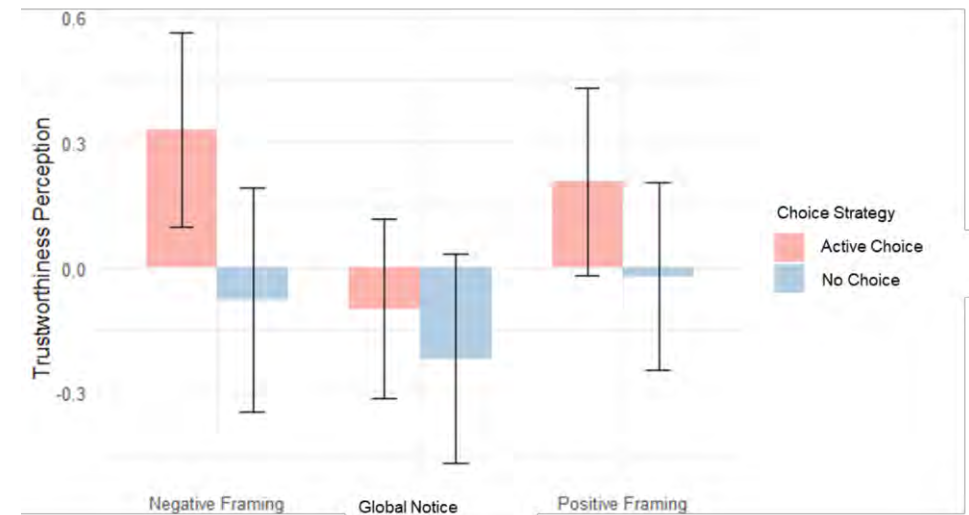
Empirical Results - Study 2

- a substantial increase in trustworthiness perceptions when active choice was implemented alongside negative transparency framing.

Trustworthiness Perceptions by Notice Strategy



Trustworthiness Perceptions by Notice and Choice Strategy



Empirical Results - Study 3

- **“detailed notice & no choice”** strategy is the most effective strategy when primed with privacy risks
- **trustworthiness perceptions** served as a mediator between “detailed notice & no choice” strategy and participants' continuance behavior under **privacy risks**.

Variables	Privacy Risks Priming		Personalization Benefits Priming		Baseline Condition	
	Coefficients (SD)	p-value	Coefficients (SD)	p-value	Coefficients (SD)	p-value
Main Effects						
Notice (1 = Detailed; 0 = Global)	0.675(0.317)	0.033*	-0.053(0.240)	0.826	0.220(0.295)	0.456
Choice (1 = Active; 0 = No)	0.268(0.326)	0.411	0.163(0.224)	0.466	0.077(0.265)	0.773
Interaction effect						
Notice*Choice	-0.883(0.433)	0.041*	-0.036(0.278)	0.896	0.097(0.408)	0.812
Controls						
Gender	0.023(0.234)	0.922	0.001(0.151)	0.993	0.382(0.214)	0.075
Education	0.069(0.233)	0.757	0.104(0.156)	0.506	-0.176(0.217)	0.417
Perceived Value	2.079(0.652)	0.001*	0.569(0.229)	0.013*	0.232(0.133)	0.081
Fit Statistics						
Chi-square value(df)	336.924(271)	0.004	393.817(217)	0.000	380.536(271)	0.000
RMSEA (90% CI)	0.049(0.029, 0.066)	0.515	0.069 (0.054, 0.084)	0.023	0.067(0.051, 0.083)	0.044
CFI/TLI	0.953/0.945		0.903/0.887		0.888/0.870	
SRMR	0.075		0.078		0.107	
N	100		95		89	

Note: The coefficients above are unstandardized solutions.

Implications for Public Policy

- **Design of Privacy Policy Interfaces:** Policymakers should encourage firms to invest in thoughtful interface design to ensure customers can easily comprehend privacy policies.
- **Promoting Trust through Privacy Practices:** The "Notice and Choice" approach has the potential to build customer trust. By emphasizing trust-building through clear communication, policymakers can convince firms to adopt effective privacy practices.
- **Reconsidering the Role of Choice:** Contrary to expectations, our research found that detailed notice combined with no choice was more effective in promoting trust than active choice. While giving customers more choice may increase cognitive burden, informed consent remains vital. Policymakers should, therefore, continue promoting detailed notice and active choice to ensure informed consent while finding ways to reduce decision fatigue for customers.
- **Customer Education on Informed Consent:** Given that too much choice can overwhelm customers, policymakers should focus on educating consumers about the significance of informed consent. This education can help customers understand the importance of their choices regarding data-sharing practices.





Thank You.