

1 Project objectives

Recent body of research shows that the ability of consumers to make informed decisions about their Internet privacy is seriously hampered due to insufficient control over personal data they share online. The uncertainty with respect to 'who', 'when' and 'for what purpose' collects this data undermines trust in online providers which has negative consequences for the development of digital economy. In recognition of this challenges the EU has recently introduced General Data Protection Regulation (GDPR) which will enter into force in 2018 setting minimal rules of conduct with respect to privacy protection.

The project will apply a discrete choice experiment (DCE) method to determine consumer preferences towards protection of online privacy. The project will focus on: (a) user preferences towards different 'scopes' of control mechanisms which might evolve from upcoming privacy reform in the EU and (b) welfare assessment of 'minimal' vs 'maximal' privacy protection. The specific project objectives are: (i) to provide evidence on how individual users assign value to the specific aspects of privacy protection, such as data portability, right to be forgotten or objection towards profiling and secondary use of data; (ii) explore heterogeneity of preferences towards privacy with respect to relevant characteristics of users; (iii) explore to what extent preferences towards privacy protection are sensitive to different framing of disclosure risks (in order to examine existence of so called 'privacy paradox'); (iv) based on scenario simulation, assess welfare effects of 'minimal' and 'maximal' scopes of privacy protection which may evolve after 2018.

2 Methodology

To elicit customers' preferences for specific instruments of online privacy protection, we will implement a dedicated discrete choice experiment. The choice attributes will represent various aspects of data protection, specifically: (i) information obligations of online service providers; (ii) objection to profiling and secondary use of personal data; (iii) data portability between providers of online services; (iv) possibility to remove personal data. Next we will apply random utility approach (specifically: mixed logit model to account of observed and unobserved preference heterogeneity) to estimate parameters of utility function, calculate consumers' willingness-to-pay for various levels of data control mechanisms as well expected welfare effects of different scopes of protection. The advantage of chosen stated preference approach is an opportunity to explore benefits of regulatory interventions before their actual implementation. We deal exactly with such situation in this project.

3 Impact on science and society

Opinion surveys conducted by the EC show that the protection of personal data remain significant concern for the majority of EU citizens. More than eighty percent of the respondents across EU feel that they do not have complete control over their personal data provided during online activities. Internet users are concerned with consequences of collecting, managing and using of their personal data for other purposes than actually agreed to. More than sixty percent do not trust online service providers in this regard. These results rise concerns about the growing asymmetry between online providers and users but also growing informational advantage of dominant platforms vis-a-vis new entrants.

Upcoming GDPR regulation in the EU sets only minimal (weak) standards of privacy protection and member states are free to implement more restrictive level of protection. Hence the issue of practical solutions available for users remains unspecified. The significance of the proposed project lies in the estimation of economic benefits of various practical scenarios, assuming different scopes of 'effective' privacy control for users. Specifically the project results shall address the following questions: Do users demand strong regulation? Which control aspects are crucial? How different users characteristics and usage profiles impact evaluation of data protection? Are users sensitive to the different framing of risks and consequences related to personal data fraud or disclosure?

By providing answers to these questions, the proposed research will enrich debate on the implementation of the EU reform of online privacy protection with sound economic arguments. The results of the project will be relevant for establishment of the most effective practical solutions toward rising awareness and use of privacy enhancing rights.