

# **Master Thesis**

Does Privacy Policy Really Matter in E-commerce? The Influence of FIP Principles on Customers' Behavioral Intentions in both Familiar and Unfamiliar Websites



Faculty: Behavioral Sciences Master Program: Communication Studies 1<sup>st</sup> Supervisor: Dr. Ardion D. Beldad 2<sup>nd</sup> Supervisor: Dr. Sabrina M. Hegner Student: Yu Tu s1317423 Email: <u>y.tu-1@student.utwente.nl</u> Address: Witbreuksweg 385-303, 7522 ZA, Enschede **Abstract** This study investigates the influence of Fair Information Practice principles on customers' behavioral intentions in both familiar and unfamiliar websites. The four FIP principles are: notice, choice, access, security and the three customers' behavioral intentions are: purchase intention, disclose intention and intention to read privacy policy. It takes six months to complete the whole project and more than two weeks to collect the data via qualtrics software.

A quasi-experiment was conducted to achieve this research goal and 271 valid data were collected. It first explored the influence of FIP principles on customers' risk perception and trust in company and the results showed that privacy policy may not so important in risk perception. But notice and security of FIP principles can positively influence customers' trust in a familiar website. Then it measured the influence of risk perception and trust on customers' behavior intentions. The results showed that risk perception will not negatively influence customers' purchase intention and disclosure intention because Chinese people have already realized and accepted that online shopping is a risky activity but people still want to shop online even though there exist the risks. Moreover, familiarity plays important role in people's intention to read privacy policy because customers have no previous experience or knowledge with the new website. When the risk is more salient, they will go to the privacy policy to get more information and when the trust is more salient, customers are also willing to invest time and effort in reading the privacy policy.

**Keywords** Online privacy policy; FIP contents; E-commerce; Consumer behavioral intention; Risk perception; Trust

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# **1. Introduction**

"In the information age, privacy has become a luxury to maintain" (Pan & Zinkhan, 2006, p331) as consumer privacy can be violated on the internet through technical tools such as cookies or tracking online activities. The rapid growth of the Internet and what it has brought to people's lives especially during the past ten years are truly astonishing. The internet makes people's lives incredibly convenient and websites will remain an important communication channel because the age of network information has really come.

Since China has become the country with the most internet users in the world, it is predicted that China will be the largest online market in the world, which brings numerous electronic business opportunities to the organizations. In order to maximize the profit and achieve further commercial goals, organizations all over the world including Chinese organizations need to understand their customers' needs and interests so many companies collect the personal information through the use of "cookies", registration or tracking their online activities in order to get information about their interests and preferences. Such information is really useful and targeted to customers because organizations can promote or send their products and services to whom may be interested based on these personal information. However, legitimate concerns about privacy and online trust remain potential issues for both customers and organizations. Continuous incidents of customer information disclosure in the online environment have been uncovered in recent years. For example, 800 thousand customers' insurance contracts of China Life, one of the biggest insurance companies in China, have been disclosed in the internet (Finance Sina, 2013). A large number of consumer records of Chinese main chain hotels have been stored by third parties for unknown purposes (Sina, 2013). These cases show that privacy concern among consumers is reasonable and they send us a message that privacy is not safe now.

This research investigates the individual's perception of risk and level of trust in the organization based on the contents of privacy policy of a web shop and it explores the influence of privacy policy contents on consumers' intention of personal information

disclosure and purchasing intention. This study also compares the perception of risk, level of trust, customers' disclosure intention and purchase intention in a familiar and an unfamiliar online vendor. This report is structured as follows. First, relevant literature is reviewed for the concept of privacy, privacy concern, privacy policy, customers' responses towards the privacy policy and attitudes towards the company and behavioral intentions. Afterwards, the methodology of an empirical study is discussed and the method of online questionnaire is conducted. Then the empirical results and findings are presented. Finally, the theoretical and practical implications are discussed as well as suggestions for future studies.

# 2. Literature framework and hypothesis construction

#### 2.1 Privacy concern

#### 2.1.1 Definition of privacy

Many scholars define privacy in various ways. Privacy has been defined by Warren and Brandeis (1890) as the right of an individual to be left alone. Westin (1967) determined four states of privacy: solitude, intimacy, anonymity and reserve. An individual requires solitude when he is being observed by others and people need secrecy when they foster intimate relationships with others. People require anonymity when they are doing public activities and reserve is needed for peoples' desire to choose freely under what circumstances and to what extent they will expose themselves (Westin, 1967). Clark (1997) also confirmed that the concept of privacy is multidimensional. First, privacy of the person is determined which is related to the person's body such as compulsory injection. The second dimension of privacy refers to the privacy of personal behavior such as behavioral quirks and the third dimension of privacy is interception privacy which is related to the peoples' freedom to choose through with media to express themselves or communicate with others. Clark (1997) determined the fourth dimension of privacy as privacy of personal information which allows individuals to prevent the disclosure of their personal information to other individuals or groups.

This research focuses on the privacy of personal data or information because in the online environment, information privacy is very applicable. DeCew (1997) noted that information privacy protects individuals from invasions or fear of threats of invasions and provides them with control over who will access their personal information and for what purposes and Tavani (2007) pointed that choice, as a limited control, provides them the rights to privacy and one's privacy management is not complete if individuals are not provided with access to their data or chances to correct their information.

#### 2.1.2 Privacy concern in e-commerce

Nowadays, the spread of internet technology limits or even eliminates the customers' ability to protect privacy because people are easily to be identified in the online environment. Zviran (2008) stated that internet users leave so much network traces such as search keywords and online shopping records. Such network footprints reflect individuals' interests and preferences that can be easily stored, used, shared or disclosed with others unknown. Enterprises have collected customer information for a very long time and concerns about privacy always arise when new technologies have the ability to collect, store, share the personal information (Culnan, 1993). Meanwhile, customers have limited control after the disclosure of their personal information they provide during their online activities (Wu, Huang, Yen & Popova, 2012). Therefore, a deep examination of the privacy concerns of people in an e-commerce context is needed under this situation.

The internet, on the one hand, creates large opportunities for organizations to globally expand their markets and provides fast and convenient communications to customers. On the other hand, large amout of customers' personal information are being collected and stored with the use of tracking software for any consumer behavior such as online orders or registrations (Liu, Marchewka & Ku, 2004). Furthermore, the growth of technological systems do not only change the quantity and quality of data collected, but also enable data to be analyzed in an advanced and technological way (O' Connor, 2006).

Privacy concerns in e-commerce result in the reluctance of people to provide private information which will not only slow down the development of electronic business but also negatively influence accurate targeting of customer groups (Wu et.al, 2012). In order to reduce customers' concerns and avoid organizations' inaccurate targeting, world-wide organizations have made a commitment such as privacy policies or statements to their customers or potential customers in order to ensure the safety of consumer information privacy. Privacy policies or statements are the principles of websites' practices for the online collection, utilization of personal information and such statements are assumed to reduce or ease privacy concerns in e-commerce (Vail, Earp & Anton, 2008).

# 2.2 Privacy policy, risk perception and trust

#### 2.2.1 FIPs

Since the 1970s, principles regarding the collection, usage and dissemination of personal information have been widely accepted by European countries, OECD, EC, EU, USA, Canada and other countries. Then through many years of efforts, the European Community passed the OECD Directives in 1995 to remove the obstacles to free movement of personal information. However, till 1998 the Federal Trade Commission summarized widely accepted principles of fair information practices to consolidate the regulation of e-commerce (Lingjie, 2007).

The Federal Trade Commission's Fair Information Practice Principles (FTPPs) are guidelines that are widely accepted concepts concerning fair information practice in an electronic commerce. Fair information practice principles recognize individual's right to control what information is collected and what is disclosed (Schwaig, Kane & Storey, 2006). The FTC fair information practice principles include five dimensions:

•*Notice*---Consumers are notified that personal information is being collected and are informed how it will be used which is prior to the collection of that information.

•*Choice*---Consumers are provided with a choice to allow an organization to use or share information collected about them and they have a choice about whether or not information collected for one purpose will be used for other purposes or shared with third parties.

•Access---Consumers are provided with access information that is collected from them and to correct errors.

• Security---Information collectors should ensure that the data that they collect are accurate and secure. Organizations should protect the data they have collected from unauthorized access during transmission and storage.

• *Enforcement*---Consumers have a right to guarantee that organizations respect FIPPs with the adoption of enforcement measures such as external regulation or laws and certification programs (Schwaig et al. 2006).

In this study, only the principle of notice, choice, access and security are investigated. The principle of enforcement is excluded because in the Peoples' Republic of China, although examples of privacy enforcement occur increasingly, there is still not a comprehensive data protection law (Greenleaf & Chen, 2012).

#### 2.2.2 Privacy policy and risk perception

Pires, Stanton and Eckford (2004) indicate that perceived risk has been defined in many ways. Initially, Bauer (1960) proposed the concept of perceived risk that consumer behavior involves risk that any action of a consumer will have several consequences which he or she cannot anticipate with certainty and some consequences are likely to be unpleasant at least. Generally, research into risk perception has employed two main components: probability of loss means there is an uncertainty in the occurrence and the subjective unfavorable consequences means a possibility of an unwanted loss exists (Zheng et al. 2012; Rowe, 1977). Furthermore, Noort, Kerhof and Fennis (2007) reported that the use of internet for shopping involves more additional risks than what is encountered in conventional marketplaces and risk perception in e-commerce encounters privacy risk, security risk, source risk and so on. Beldad, De Jong and Steehouder (2009) also indicated that loss of money when one's credit card information is abused and loss of information privacy resulting from data misuse or abuse are two major risks in e-commerce.

As a result, customers use a variety of methods to reduce risk in e-commerce such as asking trusted friends or searching for store information (Zheng et al. 2012). It is worth mentioning that privacy policies are an important means to reduce the risk of the information exchange by stating the organization's information practices because these statements can help customers to decide whether to provide personal information online (Milne & Culnan, 2004). Lyon (2003) also states that the growing

risk of information privacy and privacy policies such as fair information practice principles are enshrined in law and self-regulation in many contexts because privacy policies are related to communicative control over how their data are collected, processed and used. Meanwhile, Miyazaki and Fernandez (2000) indicated that a privacy policy may be expected to result in lower perceived risk because online customers may proactively search for and examine an online vendor's privacy practices to moderate their concerns about the privacy of their information so a clear stated privacy policy may be helpful in alleviating privacy risks (Pan & Zinkhan, 2006). Although several evidences show that privacy policies have a negative influence on customers' perceived risk, the theoretical support for the negative relationship between privacy policy contents and customers' risk perception is inadequate. Therefore, instead of hypotheses, research questions about the relationship between privacy policy contents (FIP principles) and customers' perceived privacy risk can be developed as follows:

**RQ1a**: To what extent does information of notice in the privacy policy influence customers' privacy risk perception?

**RQ1b**: To what extent does information of choice in the privacy policy influence customers' privacy risk perception?

**RQ1c**: To what extent does information of access in the privacy policy influence customers' privacy risk perception?

**RQ1d**: To what extent does information of security in the privacy policy influence customers' privacy risk perception?

#### 2.2.3 Privacy policy and trust

There is no universal definition of trust but the two main stream of trust

conceptualization can be encountered in the literature: trust as an expectation of interactional partner and trust as acceptance and exposure to vulnerability. (Beldad, De Jong & Steehouder, 2010) Mayer, Davis and Schoorman (1995) defined trust as the "willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (p.712). Trust is considered to be very important for the success of online e-commerce (Azam, Qiang &Abdullah, 2012). Trust is named as a vital factor in social interactions (Ying-feng & Pei-ji, 2006) and essential in exchange relations (Azam et al. 2012) because of the higher amounts of uncertainty about quality of products and trustworthiness of participants (Zhang, Liu & Zhu, 2005; Abdul-Ghani, Hyde & Marshall, 2011), increased fraudulent behavior (Strader & Ramaswami, 2002; Sutanonpaiboon & Abuhamdieh, 2012), anonymity or lack of control (Ying-feng & Pei-ji, 2006) and the transactions occurs in a virtual environment (Yang & Cheng, 2009). This research focuses on the trust between customers and organizations which is defined as the confidence that customers have in the quality and reliability of the products and services offered by the organization (Garbarino & Johnson, 1999).

Companies try to build consumers' trust in their online stores by using different methods such as an electronic seal and online privacy policy and the researchers found a significant relationship between privacy dimensions and trust (Wu et al. 2012). Shoenbachler and Gordon (2002) state that privacy policies help to build positive organizational reputation among their customers. Social contract theory (Dunfee et al. 1999) provides a theoretical basis for predictions from the overall influence of privacy policies on trust. Social contract theory considers customers' exchange of personal information as an implied social contract (Culnan, 1995) which occurs when a customer provides a marketer with personal information and this contract is invaded if the collection or the use of information is fraudulent. Social contract theory also suggests that customers will search for and carefully examine specific privacy protocols before they commit themselves to a transactional relationship and they will not trust a store unless it applies trustworthy privacy protocols (Pan & Zinkhan, 2006)

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and from privacy policies, customers are supposed to have certain rights with regard to the privacy of their information when they are doing online transactions (Milne & Gordon, 1993). In other word, privacy policies, as important contract terms, can influence shoppers' decision to trust or not as privacy policies are the only sources of information for customers to be informed of usage and processing of personal information (Vail et al., 2008). Although privacy policies may positively influence customers' trust of information security based on the above statements, the evidence of the influence of privacy policy contents (FIP principles) on customers' trust is insufficient. Therefore, research questions are drawn instead of hypotheses:

**RQ2a**: To what extent does information of notice in the privacy policy influence customers' trust in the company?

**RQ2b**: To what extent does information of choice in the privacy policy influence customers' trust in the company?

**RQ2c**: To what extent does information of access in the privacy policy influence customers' trust in the company?

**RQ2d**: To what extent does information of security in the privacy policy influence customers' trust in the company?

#### **2.2.4 Risk perception and trust**

A consumers' perceived risk is an important barrier for online customers who are considering whether to make an online purchase or not and trust becomes the key strategy to reduce uncertain in uncontrollable future (Kim, Ferrin & Rao, 2007). As risk perception and trust are both important to customers' decision making process within the online environment (Kim, Ferrin & Rao, 2007), several studies investigate the interaction between perceived risk and trust. Mayer et al. (1995) proposed a model

that if the trustor perceives a vendor's ability, benevolence and integrity to be sufficient, the trustor will develop trust toward the vendor but if the level of trust in a company surpasses a ridge of perceived risk, the truster will engage in a risk relationship with the trustee. Therefore, trust can be seen as a key determinant of action in a context in which there is perception of a negative outcome (Luhmann, 1988). Deutsch (1960) and Ratnasingam (1998) stated that trust can moderate the influence of risk in online environment because if trust increases, customers are likely to perceive less risk than if trust were absent. Milne and Boza (1998) found a negative relationship between the level of trust toward marketer and potential risk for loss of privacy and security of personal information. Similarly, Teo and Liu (2005) also found that customers' trust has a negative relationship with perceived risk. Based on the findings of these studies, the hypothesis below is proposed:

**H1**: Customer's trust in company negatively influences a customer's perceived privacy risk

# 2.3 The influence of perceived risk and trust on purchase intention, disclosure intention and intention to read privacy policy

#### 2.3.1 Purchase intention

Once a risk has been perceived in a purchase situation, there seems to be evidence that subsequent consumer behavior is negatively influenced by the risk perceptionbecause consumers will perceive risk when they face uncertainty and unwanted consequences as a result of purchase (Bauer, 1967). Heijden, Verhagen and Creemers (2001) stated that perceived risk is a variable that determines the attitude and intention of people: the more risk is perceived, the lower are attitude and intention. Ajzen and Fishbein (1980) argued that consumer's perceived risk may have a negative relationship with their attitudes toward the consumer behavior. Similarly, McKnight, Cummings and

Chervany (1998) reported that when the perceived risk is high, purchase likelihood tends to be low. Ruyter, Wetzel and Kleijnen (2001) confirmed that risk has a negative impact on consumers' purchasing behavior intention.

Several trust researchers have shown a direct relationship between trust and intention to buy from online vendors. Kim et al. (2003) illustrated that a consumer's trust positively affects the consumer's purchase intention because trust is a form of attitude and attitude positively relates to purchase intention (Chow & Holden, 1997). Teo and Liu (2005) found that consumers' trust has a positive relationship with attitude and willingness to buy and trust lead consumers to focus more on the positive motivation because of consumers' affiliation and identification with the company. Therefore, it is hypothesized that:

**H2a**: Consumers' perceived risk related to data collection from an online vendor negatively influences their purchasing intention from the vendor.

**H2b**: Consumers' trust in an online vendor positively influences their purchasing intention from the vendor.

#### **2.3.2 Disclosure intention**

Previous studies have shown that risk influences perceptions of privacy and perceived disclosure consequences reflects one's perception that negative outcomes may be greater than positive outcomes when personal information is disclosed (White, 2004). Norberg, Horne and Horne (2007) stated that consumer concerns certainly are driven by risk perceptions. Zimmer, Arsal, Al-Marqouq and Grover (2010) showed that risk will negatively influence users' attitudes toward information disclosure and attitude toward information disclosure positively affect users' disclosure intention online. When asked about intention to disclose, perceived risk of disclosing personal information is predicted to be salient (Norberg et al. 2007).

Schoenbachler and Gordon (2002) and Hoffman, Novak and Peralta (1999) indicated

that higher levels of trust will increase willingness to provide personal information and when trust is more salient to customers who are required to provide personal information to organizations, negative privacy concerns will not be reflective of their willingness to provide personal information. Milne and Boza (1999) stated that trust is an important method to reduce privacy concerns when organizations manage consumer data. It is confirmed that the level of disclosure intention of personal information has a positive relationship to the level of trust in company (Cranor, Reagle & Ackerman, 1999). Based on the above information, the following hypotheses are fomulated:

**H3a**: Risk perception will have a negative impact on consumers' intention to disclose personal information.

**H3b**: Consumers' trust in company will have a positive impact on consumers' intention to disclose personal information.

#### **2.3.3 Intention to read privacy policy**

Beldad, De Jong and Steehouder (2010) stated that the intention for customers to read online privacy policy is facilitated by a certain need because customers who spend time to read privacy policy are likely to engage in a situation which need them to provide their personal information (Meinert, Peterson, Criswell & Crossland, 2006). Risk perception occurs when personal information is disclosed which can be attributed to customers' lack of information about how online organizations handle with these information (Reagel & Cranor, 1997) and lack of control over other people's access to their personal information so they may turn to online privacy policy as a way to alleviate privacy risks (Milne & Culnan, 2004).

Milne and Culnan (2004) indicated that if customers find the privacy policies are reliable and trustworthy, they may intend to read the privacy policies more. On the opposite, if customers do not trust the website, they may not invest time and effort in reading the privacy policies because they do not believe the online vendor will comply with the privacy policies when they are dealing with customers' personal information. So based on the information above, customers risk perception and trust is both positively associated with their intention to read privacy policies, hypotheses are developed:

**H4a:** Risk perception will have a positive impact on customers' intention to read privacy policy.

**H4b:** Consumers' trust in company will positively associated with their intention to read privacy policy.

The constructed hypotheses in this study and theoretical model design are shown in Figure 1:



#### **Figure 1. Theoretical model**

# 2.4 Familiarity with an online vendor

One way that people subjectively reduce uncertainty and clear their relationships with others is familiarity (Gefen, 2000). Familiarity is one kind of peoples' understanding

that is often based on previous experiences, engagement and learning of what, why, where and when others do what they do (Luhmann, 1979). Product familiarity is measured with respect to an individual's long-term memory and one way to measure to product familiarity in terms of how much a person knows about the product. In other words, familiarity is based on the impact of amount of knowledge on peoples' evaluation and choice decisions. The other one is to measure familiarity based on how much an individual thinks he or she knows about the product which is based on a person's self-report of how much he or she knows about the product (Park & Lessig, 1981). Several scholars determine the role of familiarity in attitudes and behavioral intentions. Baumer (2003) stated that consumers show a higher willingness to provide or disclose personal information such as financial or identifying information to those companies which are well-known or familiar to them. As a customer becomes more familiar with the online vendor or website, concerns about privacy and perceived risk will decrease and the level of trust will increase and customers are more willing to disclose their personal information when encountering a company or website which is familiar to them (Slyke, Shim, Johnson & Jiang, 2006). People tend to trust those whose trustworthiness has been confirmed (Sztompka, 1999) and Mollering (2006) reported that familiarity is crucial in the establishment of trust which will ease the concerns for privacy. However, the previous research about the influence of familiarity on customers' perception toward privacy policy is inadequate. In this research, the theoretical model will be tested in the condition of both familiar and unfamiliar website so a research question is developed:

**RQ:** To what extent does the Fair Information Practice principles influence customers' privacy risk perception and trust in company in both familiar and unfamiliar website?

# 3. Methodology

A quasi-experiment is an empirical study used to estimate the casual impact of an intervention on its target population. This research employed an online

quasi-experiment to draw a natural conclusion and 271 valid questionnaires were collected. A pre-test was also conducted before the main study to check the manipulation of the experiment and the design of the questionnaire. Both English and Chinese versions of online survey could be found in Appendix 1.

# 3.1 Instrument

#### 3.1.1 Experimental website design

In this study, research subjects were randomly assigned to one of two groups: familiar website and unfamiliar website. Then respondents were asked to read the same privacy policy on both familiar and unfamiliar websites. The content of the privacy policy included the four FTC privacy dimensions: notice, access, choice and security. The website of Taobao was supposed to be the familiar website because until 2013, Taobao had nearly 500 million registered users and more than 60 million daily visitors. It had more than 800 million online products every day and sells average 48 thousand goods per minute (Baike Baidu, baike.baidu.com/view/1590.htm). So the real Taobao webpage was selected for the familiar website. On the other hand, Qugo was manipulated as the unfamiliar website and it was a fictitious webpage designed by using Photoshop. The name "Qugo" in Chinese means fun shopping which indicates that this is an online shopping website. The structure of the Qugo webpage was similar to Taobao except the color of "Qugo". The color of the word "Qugo" was blue with the purpose of distinguishing itself from Taobao which was in orange and blue looks neutral and comfortable with orange color. Both Taobao and Qugo webpage screenshot were shown in Figure 2:

#### Figure 2. Experimental website design

Taobao.com



#### Qugo.com



#### **Privacy policy content**

After reading a homepage which included the aim of this research and the anonymous statement, all the respondents clicked a button to start the survey. Both Taobao and Qugo webpage showed a privacy policy that includes four parts which represent four dimensions of FTC's Fair Information Practice Principles: notice, choice, access, security.

1. Notice

When you use Taobao/Qugo platform services, or visit the Taobao/Qugo platform website, Taobao/Qugo automatically receives and records information on your browser and computer, including but not limited IP addresses to your browser type, the language used, date and time, hardware and software feature information and your web history requirements and other data, such as when you download or use Taobao/Qugo or its affiliates mobile client software, or access the mobile web use Taobao/Qugo platform services.

You have the right to accept or reject cookies by modifying your browser settings to refuse to accept cookies. But if you choose to refuse to accept cookies, you may not access or use Taobao/Qugo platform services or features which are cookies-dependent

2. Choice

Taobao/Qugo will not provide, sell, rent, share or trade your personal information without your prior permission to any unrelated third party. For the purpose of customer service, Taobao/Qugo or its affiliates may be through the use of your personal information to provide you with the information you may be interested in, or send information about their products and services to you which requires your prior consent. Taobao/Qugo will disclose your information to third parties only with your prior permission.

#### 3. Access

Taobao/Qugo gives you access to a broad range of information about your account and your interactions with Taobao/Qugo.com for the limited purpose of viewing and updating that information. Taobao/Qugo platform users are able to access their personal information and correct errors about their information.

#### 4. Security

Your account has security features and Taobao/Qugo ensures your information is not lost, will not be abused or altered by the means of being backed up by the other server, user password encryption and so on. If you find that your personal information is leaked, especially your account and password is disclosed, please immediately contact us in order for Taobao/Qugo to take appropriate measures.

#### **Control questions**

In order to guarantee that the participants read the text and perceive the familiarity as expected, two questions were asked: first is about the perception of website familiarity and second was from the text. The first question started with "Are you familiar with this shopping website?" and the answers are measured from 1 to 5 with "1" for not at all familiar and "5" for extremely familiar. The second question is designed from the text "You have the right to accept or reject cookies by modifying your browser settings to refuse to accept cookies." so the question is "According to the given material, you have the right to modify your browser settings to accept or refuse\_\_\_\_" and five options were provided with "1" for advertisement, "2" for cookies, "3" for product information, "4" for product that you may interested and "5" for delivery information. The two questions are shown as followed:

Are you familiar with this shopping website?

- 1. Not at all familiar
- 2. Not so familiar
- 3. Neutral
- 4. Very familiar
- 5. Extremely familiar

According to the given material, you have the right to modify your browser settings to accept or refuse\_\_\_\_

1. Advertisement

- 2. Cookies (right answer)
- 3. Product information
- 4. Product that you may interested
- 5. Delivery information

The first question is about the customers' perception of familiarity. If Taobao webpage is presented, answers of 3,4 and 5 are correct, if the Qugo webpage is presented, answers of 1,2 and 3 are correct. The right answer to the second question is "cookies" which can be exactly found in the text. Wrong answers of either these two questions will be excluded from data analysis.

#### **3.1.2** Online questionnaire design

After reading the privacy policy and answering the control questions, the respondents were asked to complete an online survey. The data were stored in the Qualtrics software and the entire process took approximately 10 minutes. All the constructs were measured on a five-point Likert scale. The validated scales were used to measure independent variables (FIP dimensions), dependent variables (risk perception, trust, purchase intention, disclosure intention, reading intention) and their privacy concerns. The items measuring all the variables were structured as follows:

#### **Fair Information Practice Principles:**

The four FIP dimensions were measured by a five-point Likert scale with "1" for not at all important and "5" for extremely important.

#### Notice

Wu et al. (2012) provided a scale for measuring notice of FTPPs: (1) This website explains what information is to be collected. (2) This website explains why personal information is to be collected. (3) This website states the use of cookies. The item 3 was deduced from privacy policy text in the experiment.

#### Choice

No validated scales were available so the construct of choice was developed from the literature. The items measuring the choice were structured as follows: (1) This website provides a choice about whether or not information will be shared with third parties. (2) This website asks permission before disclosing personal information to third parties. Items 1 and 2 were taken from the survey questions of Wu et al. (2012).

#### Access

No validated scales were available to measure the access dimension of FIPs so the items were formulated from the studies of Wu et al. (2012) and Schwaig et al. (2005) constructed a scale to measure the access dimension: (1) This website allows you to access your information. (2) This website allows you to correct inaccuracies in collected information. (3) This website allows you to update information that have been applied or shared. Because the principle of access means that you can access or visit your personal information and correct errors.

#### Security

Liu et al. (2004) and Wu et al. (2012) designed a scale to measure the security dimension: (1) This website ensures your information will not be abused or altered by other server. (3) This website has the advanced technology to protect your personal information. The item 1 was formulated from the direct understanding of security principle that is information collectors should ensure the data they collect are accurate and secure. Item 2 and 3 were the deep explanations of this principle because in order to ensure the collected information is secure, organization should have advanced technology to prevent personal information from being abused or altered by other server.

#### **Risk perception**

Risk perception and trust in the company were measured by a five-point Likert scale with "1" for strongly disagree and "5" for strongly agree.

There were no existing scales to measure perceived risk related to privacy policy so it had to combine different previous studies together: (1) I feel my personal information is not safe with this online vendor. (2) I don't think the vendor will protect my personal information. (3) I am afraid that this vendor does not care about my privacy. (4) This vendor would abuse my personal information. (5) This vendor might use my personal information for other purposes without my consent. Item 1, 2 and 4 were developed from the study of Crespo, Bosque and Sanchez (2009) and item 3 was self-formulated. Item 5 was developed from the study of Youn and Hall (2008).

#### **Trust in the company**

The items measuring customers' trust in the company were: (1) I believe the vender will protect my personal information. (2) I believe this website has the ability to protect my information. (3) I feel that this online shop will not deceive me. (4) I feel that this website is trustworthy. (5) I trust this online shop. Item 1 and 2 were formulated from the study of Vail, Earp and Anton (2008). The item 3 was from Lau and Lee's (1999) study and item 4,5 were from Newell and Goldsmith (2001).

#### **Purchase intention**

Purchase intention and disclosure intention were measured by a five-point Likert scale with "1" for not at all likely and "5" for completely likely.

Yoo and Donthu (2001) provided the item: (1) I intend to purchase from this online vendor in the future. (3) I will choose this vendor when I want to buy something online. Item 2 and 4 were self-formulated: (2) I would rather buy in this company than other online vendors. (4) If the price is the same, I will choose this online vendor than others.

#### **Disclosure intention**

The scales to measure peoples' intention to disclose personal information were formulated as follows: (1) I would be willing to provide my personal information to this online vendor. (2) I would not hesitate to share my personal data to this online vendor. (3) I don't want to provide my personal details to this online vendor\* (4) I am intending to share my personal information to this online vendor.

Item 2 was adjusted to suit the research context and Item 1 and 4 were deduced from the study of Liu et al. (2004). Item 3 was a reverse statement.

#### Intention to read privacy policy

Reading intention was measured by a five-point Likert scale with "1" for strongly disagree and "5" for strongly agree.

Beldad, de Jong and Steehouder (2010) provided a scale to measure customers' intention to read privacy policy: (1) I would read an online privacy policy on commercial website before I would disclose my personal information. (2) Even if I would not disclose personal information, I would still read the privacy policy on a commercial website. (3) I would read the privacy policy on a commercial website to know how my information will be used and protected

#### **3.2 Pre-test and procedure**

Before data collection, a pre-test was conducted. In this research, 10 respondents participate in the pre-test with 5 respondents for each condition: familiar and unfamiliar online vendor. The result of pre-test showed that all the participants understood and perceived the material correctly and the time for finishing the whole survey is suitable.

It took more than two weeks to collect the data from May 14<sup>th</sup> to June 2<sup>nd</sup>, 2014 and snowball sampling was used to obtain valid data from a large population (Dooley, 2001). Participants were provided with the link to the online survey via various social networks. The respondents were asked to fill in the survey and requested to forward the link to others through their social networks.

### 3.3 Sample

In this research, 455 persons started the questionnaire but only 375 respondents

complete the questionnaire. Five of them were excluded because of the system mistake. Ninety-nine of them were excluded because they answered the control questions incorrectly. Finally, 271 valid data were collected and they included 133 data for Taobao (familiar) condition and 138 data for Qugo (unfamiliar) condition which results in a response rate of 59.6%. The frequency of demographics of both familiar and unfamiliar website is shown in Table 1:

Demographics	N=271	Frequency	Percent	
Familiar websi	ite	N=133		
Age	$\leq 18$	1	.8	
	18-25	82	61.7	
	26-45	48	36.1	
	≥ 45	2	1.5	
Gender	Male	62	46.6	
	Female	71	53.4	
Education	$\leq$ Polytechnic degree	18	13.5	
	Bachelor	66	49.6	
	Master	45	33.8	
	$\geq$ PhD	4	3.0	
Online shopping	once a year	4	3.0	
frequency	once a quarter	22	16.5	
	once a month	38	28.6	
	twice a month	37	27.8	
	once a week	32	24.1	

**Table 1. Participants characteristics** 

Demographics	N=271	Fre	equency	Percent	
Unfamiliar websit	te	N	=138		
Age	≤18		1	.7	
	18-25		93	67.4	
	26-45		42	30.4	
	$\geq$ 45		2	1.4	
Gender	Male		67	48.6	
	Female		71	51.4	
Education	$\leq$ Polytechnic deg	gree	12	8.7	
	Bachelor		74	53.6	
	Master		48	34.8	
	$\geq PhD$		4	2.9	
Online shopping	once a year		4	2.9	
frequency	once a quarter		22	15.9	
	once a month		46	33.3	
	twice a month		35	25.4	
	once a week		31	22.5	
Privacy concern	Ν	Min	Max	Μ	SD
Familiar website	133	2.33	5.00	3.84	.57
Unfamiliar website	e 138	2.00	5.00	3.89	.66

# 3.4 Validity and Reliability

This study employed factor analysis as a form of construct validity. Factor analysis is a approach involving finding a way of condensing the original variables into a smaller set of dimensions avoiding loss of information and since each factor loading on each construct is more than 0.50, the validity is established for each scale (Hair, Black, Babin & Anderson, 2010). The factor loadings in the factor analysis are ranged in Table 2:

# Table 2. Factor analysis

Constru	ust Items	Fac	tor loading	
Notice	This website explaining what information is to be collected		.73	
	This website explaining why personal information is to be collected		.80	
	This website noticing the use of cookies		.75	
Choice	This website providing a choice about whether or not information will be shared with third p	arties .55		
	This website asking permission before disclosing personal information to third parties	.64		
Access	This website allows you to access your information		.76	
	This website allows you to correct inaccuracies in collected information		.78	
	This website allows you to update information that have been applied or shared		.75	
Security	This website ensuring your information is secure	.77		
	This website ensuring your information will not be abused or altered by other server	.84		
	This website has the advanced technology to protect your personal information	.87		
Risk	I feel my personal information is not safe with this online vendor	.77		
perception	I think the vendor will not protect my personal information	.84		
	I am afraid that this vendor does not care about my privacy	.80		
	This vendor would abuse my personal information	.81		
	This vendor might use my personal information for other purposes without my consent	.82		

Trust	I believe the vender will protect my personal information	.75			
	I believe this website has the ability to protect my information	.75			
	I feel that this online shop will not deceive me	.78			
	I feel that this website is trustworthy	.84			
	I trust this online shop	.81			
Purchase	I intend to purchase from this online vendor in the future		.83		
intention	I would rather buy in this company than other online vendors		.86		
	I will choose this vendor when I want to buy something online		.86		
	If the price is the same, I will choose this online vendor than others		.66		
Disclosur	I would be willing to provide my personal information to this website			.74	
intention	I would not hesitate to share my personal data to this online vendor			.74	
	I don't want to provide my personal details to this online vendor*			.78	
	I am intending to share my personal information to this website			.79	
Intention	I would read an online privacy policy on commercial website before I would disclose my personal information				.88
to read	Even if I would not disclose personal information, I would still read the privacy policy on a commercial website				.88
	I would read the privacy policy on a commercial website to know how my information will be used and protected				.90

Reliability indicates the consistency of repeated measurements (Spector, 1985) and the Cronbach's alpha for each constructs are shown in Table 3.

Variable	N of items	Cronbach's alpha
Notice	3	.786
Choice	2	.829
Access	3	.827
Security	3	.894
Risk perception	5	.905
Trust	5	.916
Purchase intention	4	.895
Disclosure intention	4	.727
Reading intention	3	.898

 Table 3. Reliability of the measurement

## **4** Data analysis and results

#### 4.3 Data analysis

#### **4.1.1 Descriptive data**

In the first part of this section, all the variables will be described with number of the respondent, mean value and standard deviation. Independent samples T test is used to compare the data from two independent populations: respondents for a familiar and an unfamiliar website. Both respondents from two groups perceive security and choice in privacy policy are the two most important principles with mean value of 4.41 for security, 4.24 for choice in familiar website and 4.29 for security, 4.08 for choice in unfamiliar website.

Compared the two groups of respondents, the results of independent samples T test show that the mean value of risk perception from two groups of respondents are not statistical different (t=-1.87, P=.06). But the people from familiar group have higher mean value of trust than those from unfamiliar group (t=2.74, P<.05). People from familiar group have higher mean value of purchase intention than those from unfamiliar group (t=9.88, P<.05) and people from familiar group also have higher mean value of disclosure intention than those from unfamiliar group (t=3.47, P<.05). The mean value of reading intention is not statistically different from both groups (t=1.52, P=.13). All the descriptive data and the results of independent samples T test can be found in Table 4:

_			Gro						
	Familiar			Unfamiliar					
Variable	Ν	Μ	SD	Ν	Μ	SD	df	t	Sig.
Notice	133	3.65	.79	138	3.45	.85	269	2.03	.04*
Choice	133	4.24	.78	138	4.08	.94	269	1.46	.15
Access	133	4.00	.71	138	3.83	.84	265	1.74	.08
Security	133	4.41	.70	138	4.29	.90	258	1.22	.22
Risk perception	133	2.83	.80	138	3.01	.78	269	-1.87	.06
Trust	133	3.46	.71	138	3.22	.74	269	2.74	.00**
Purchase intention	133	3.74	.77	138	2.75	.87	269	9.88	.00***
Disclosure intention	133	3.07	.73	138	2.75	.78	269	3.47	.00**
Reading intention	133	3.39	.84	138	3.22	.96	266	1.52	.13

Note\*\*\*p<0.001 \*\*p<0.01, \*p<0.05

#### 4.1.2 Correlation

Correlation coefficient is about the strength of relationships and Pearson product-moment coefficient (r) is to describe how strongly two variables are related which ranges from -1 to 1. In this study, there are two independent populations: respondents in a familiar website and an unfamiliar website. In a familiar website, all the four FIP principles are not correlated with customers' risk perception with r = -.047for notice, .049 for choice, .032 for access, -.095 for security but all FIP principles are positively correlated with trust with r=.302\*\* for notice, .189\* for choice, .211\* for access, .293\*\* for security. The Pearson coefficient of risk perception and trust is -.590\*\*. Risk perception is correlated with purchase intention (r=-.219\*) and disclosure intention (r=-.227\*\*). Trust is correlated with purchase intention (r=468\*\*) and disclosure intention (r=.349\*\*). But neither risk perception nor trust is correlated with intention to read privacy policy (r=.023 for risk perception, .115 for trust). In an unfamiliar website, all four FIP principles are not correlated with risk perception (r=-.118 for notice, .006 for choice, .003 for access, -.052 for security). The four FIP principles are not correlated with trust (.096 for notice, -.052 for choice, .031 for access, -.017 for security). Risk perception and trust is negatively correlated (r=-.471\*\*). Risk perception is correlated with purchase intention (r=-.236\*\*) and disclosure intention (-.381\*\*). Trust is correlated with purchase intention (r=.464\*\*) and disclosure (r=489\*\*). Risk perception is not correlated with intention to read privacy policy with r=.040, but trust is correlated with reading intention with "r=.239\*\*". "\*\*\*" means correlation is significant at the 0.001 level (2-tailed, p value <0.001 )"\*\*" means correlation is significant at the 0.01 level (2-tailed, p value <0.01) and "\*" means correlation is significant at the 0,05 level (2-tailed, p value  $\leq$ 0.05). Correlation coefficients are shown in Table 5:

 Table 5. Correlation

Variable	1	2	3	4	5	6	7	8	9
Familiar websit	te								
1. Notice									
2. Choice									
3. Access									
4. Security									
5. Risk percept	ion047	.049	.032	095		590**			
6. Trust	.302**	* .189*	.211* .	293** -	.590**				
7. Purchase inte	ention				.219*	.468**			
8. Disclosure in	ntention			-	.227**	.349**			
9. Reading inte	ntion				023	.115			
Unfamiliar web	osite								
1. Notice									
2. Choice									
3. Access									
4. Security									
5. Risk percept	ion118	.006	.003	052		.471**			
6. Trust	.096	052	.031	017 -	.471**				
7. Purchase inte	ention				.236**	.464**			
8. Disclosure in	ntention			-	.381**	.489**			
9. Reading inte	ntion				040	.239**			

Note\*\*\*p<0.001 \*\*p<0.01, \*p<0.05

# **4.2** The influence of FIP principles on customers' privacy risk perception and trust in company

Multiple linear regression was employed to test the influence of FIP principles on customers' risk perception and their trust in company in both familiar and unfamiliar website. Risk perception and trust were the dependent variables in this test, while the four FIP principles (notice, choice, access and security) were the independent variables.

In the condition of familiar website, the adjusted R-Square for risk perception and FIPs is .007 which means only .7 percent the regression line explains the variability of the response data around its mean. The adjusted R-Square for trust and FIPs is .112 which means the regression model explains 11.2 percent of the variability of the response data round its mean. There was no statistical support that four FIP principles have an influence on customers' risk perception: notice ( $\beta$ =.105, P=.313), choice ( $\beta$ =.189, P=.122), access ( $\beta$ =.083, P=.44), security ( $\beta$ =-.215, P=.059). The results showed that principle of notice ( $\beta$ =.254, P<.05) and security ( $\beta$ =.261, P<.05) have an positive influence on customers' trust in company but principle of choice ( $\beta$ =-.108, P=.349) and access ( $\beta$ =.029, P=779) have no influence on customers' trust.

In the condition of unfamiliar website, adjusted R-Square for risk perception and FIPs is .003 which means only .3 percent of variability of the response data round mean fit the model and adjusted R-Square for trust and FIPs is .001 which means only .1 percent of variability of the response data round mean fit the model. There was no statistical support that four FIP principles have an influence on customers' risk perception: notice ( $\beta$ =-.201, P=.065), choice ( $\beta$ =.189, P=.167), access ( $\beta$ =.058, P=574), security ( $\beta$ =-.131, P=29). There was no statistical support that four FIP principles have an influence on customers' trust in company: notice ( $\beta$ =.191, P=.079), choice ( $\beta$ =-.204, P=.137), access ( $\beta$ =.040, P=.699), security ( $\beta$ =.026, P=.833). All the results that are described above can be found in Table 6:

Variable	В	SE	β	Р
Familiar website				
Risk perception				
Notice	106	.105	105	.313
Choice	.193	.124	.189	.122
Access	.093	.120	.083	.440
Security	244	.128	215	.059
Trust in company				
Notice	.229	.088	.254	.011*
Choice	098	.104	108	.349
Access	.028	.101	.029	.779
Security	.263	.108	.261	.016*
Unfamiliar website				
Risk perception				
Notice	185	.099	201	.065
Choice	.158	.114	.189	.167
Access	.054	.097	.058	.574
Security	114	.108	131	.290
Trust in company				
Notice	.166	.094	.191	.079
Choice	161	.108	204	.137
Access	.035	.091	.040	.699
Security	.021	.102	.026	.833

Table 6. The influence of FIP on risk perception and trust in familiar (Taobao)and unfamiliar (Qugo) website

Note\*\*\*p<0.001 \*\*p<0.01, \*p<0.05
# 4.3 The influence of customers' trust in company on privacy risk perception

Simple linear regression was used to test the dependent variable (risk perception) and the explanatory variable (trust) in both familiar and unfamiliar website. In familiar website, adjusted R-Square is .343 which means 34.3 percent of the data fit the regression line. P value is .000 which is lower than the level of significant .05 with standardized coefficient beta is -.590 so H3 is supported under familiar website. In unfamiliar website, adjusted R-Square is .216 and p value is .000 which is lower than .05 with standardized coefficient is -.471 so H1 is also statistically supported under unfamiliar condition. The results are shown in Table 7:

Table 7. Kisk perc	eption and trust	L.		
Variable	В	SE	β	Р
Familiar website				
Risk perception				
Trust	662	.079	590	.000***
Unfamiliar websit	e			
Risk perception				
Trust	498	.080	471	.000***

#### Table 7. Risk perception and trust

Note\*\*\*p<0.001 \*\*p<0.01, \*p<0.05

## 4.4 The influence of privacy risk perception and trust in company on customers' purchase intention, disclosure intention and intention to read privacy policy

Multiple linear regression was used to test the influence of risk perception, trust on customers' purchase intention, disclosure intention and intention to read privacy policy.

In the familiar website, the adjusted R-Square value for purchase intention is .212 which means the model explains 21.2 percent of the variability of response data round its mean. Risk perception had no influence on customers' purchase intention ( $\beta$ =.087, P=.365) but trust had a positive influence on purchase intention ( $\beta$ =.519, P<.05) so H2a was not supported and H2b was statistically supported. The results showed that risk perception has no influence on disclosure intention ( $\beta$ =.032, P=.751) but trust has a positive influence on disclosure intention ( $\beta$ =.329, P<.05) so H3a was not supported and H3b was supported by the statistics. Neither risk perception ( $\beta$ =.068, P=.529) nor trust ( $\beta$ =.155, P=.152) had an influence on customers' intention to read privacy policy so H4a and H4b are not statistically supported.

In the unfamiliar website, Risk perception had no influence on customers' purchase intention ( $\beta$ =.-.022, P=.798) but trust had a positive influence on purchase intention ( $\beta$ =.454, P<.05) so H2a was not supported and H2b was statistically supported in unfamiliar condition. The results showed that risk perception has a negative influence on disclosure intention ( $\beta$ =-.139, P<.05) and trust has a positive influence on disclosure intention ( $\beta$ =.398, P<.05) so H3a and H3b were supported by the statistics. In terms of intention to read privacy policy, risk perception had a positive influence on reading intention ( $\beta$ =.195, P<.05) and trust also had a positive influence on reading intention ( $\beta$ =.330, P<.05) so H4a and H4b were supported by the statistics. All the results are shown in Table 8:

Variable	В	SE	β	Р
Familiar website				
Purchase intention				
Risk perception	.084	.093	.087	.365
Trust	.565	.104	.519	.000***
Disclosure intention				
Risk perception	029	.093	032	.751
Trust	.337	.104	.329	.002**
Intention to read				
Risk perception	.071	.113	.068	.529
Trust	.183	.127	.155	.152
Unfamiliar website				
Purchase intention				
Risk perception	025	.096	022	.798
Trust	.534	.102	.454	.000***
Disclosure intention				
Risk perception	191	.083	193	.022*
Trust	.418	.088	.398	.000 ***
Intention to read				
Risk perception	.239	.114	.195	.038*
Trust	.428	.121	.330	.001***

 Table 8. The influence of risk perception and trust on purchase, disclosure and

 reading intention in familiar (Taobao) and unfamiliar (Qugo) website

Note\*\*\*p<0.001 \*\*p<0.01, \*p<0.05

#### **5** Discussion, Implication and Future Research Directions

#### 5.1 General discussion

The goal of this research is to explore to what extent Fair Information Practice contents influence customers' purchase intention, disclosure intention and intention to read privacy policy in the condition of both familiar and unfamiliar website. A quantitative method is used and the results show that FIPs influence customers' risk perception and trust differently in a familiar and unfamiliar website. Risk perception and trust also affect customers' behavioral intentions differently in the two conditions. The results support partial expectations stated in the hypotheses while some hypotheses are rejected. The findings and explanations are shown as follows:

#### 5.1.1 Customers' risk perception and trust in company

From the results of the T test, familiarity will not contribute to the Chinese customers' perceived risk. There is no significant influence of FIPs on customers' risk perception in both familiar and unfamiliar website. In other words, customers' risk perception will not be influenced by neither familiarity with the online vendor nor a privacy policy which contains four FIP principles. Because first, it is found that the respondents' privacy concern is high in both familiar and unfamiliar conditions. Chinese online customers perceive high risk when they intent to have online activities and reducing risk is really difficult when they already have high privacy concerns. Second, although this research investigates the type of privacy risk, customers' perceived risk is not only about privacy risk, it also occur different kinds of risk which always exist in their perception. So the information that is stated in an online privacy policy cannot protect them from other types of risk. Third, even though it is a familiar website like Taobao, customers' perceived risk still does not decrease because incidents of personal information disclosure have been continuously uncovered, Chinese people have already perceived and accepted the fact that there is no privacy in nowadays.

Familiarity will increase customers' trust in company. Customers perceive higher trust

in a familiar website than an unfamiliar website because customers' trust in company is not only about that they believe the company will protect their personal information, they may trust the familiar website more because of the product quality, service quality and delivery quality. In the unfamiliar website, privacy policy will not increase customers' trust because in such situation, the familiarity cue is more salient than privacy policy but in the familiar website, the principle of notice and security positively influence customers' trust in company. Because noticing and explaining how and what personal information will be collected reduce the people's uncertainty of how the online vendors will deal with their private information that they provided. And ensuring that the personal information is accurate and secure is the direct commitment to the customers that their privacy will be protected.

#### 5.1.2 Customers' behavioral intentions

The influences of risk perception and trust on customers' behavior intention are really different under different familiarity condition.

In a familiar website, there is no significant influence of risk perception on purchase intention, disclosure intention and reading intention which means customers' risk perception will not decrease the purchase intention, disclosure intention and it will not increase reading intention. Because Chinese customers have already accepted that providing their personal information is a risky action to their privacy but the situation is that online shopping business is not restrained because of the existed risk. So people are still willing to disclose their personal information in order to purchase products online.

In an unfamiliar website, customers' perceived risk will negatively influence customers' intention to disclose their personal information. Risk is more salient in unfamiliar website and consumer concerns are driven by risk perception because risk perception negatively influence users' attitudes toward information disclosure which positively influence their intention to disclose personal information (Norberg et al. 2007).

In both familiar and unfamiliar websites, the results show that customers' trust in company will positively influence their purchase intention and disclosure intention which verify the hypotheses. Customers' trust leads customers to focus more on the positive motivation because of consumers' affiliaton and identification with the company (Teo & Liu, 2005). And when trust is more salient to customers who are required to provide personal information to organizations, negative privacy concerns will not be reflective of their willingness to provide personal information (Novak & Peralta, 1999).

In terms of customers' reading intention, respondents under unfamiliar website intend to read privacy policy more when they perceive higher risk or when they trust it more because when people perceive risk, they turn to privacy policy as a way to alleviate perceived risk and when people perceive the privacy policy is reliable, they are willing to invest time and effort to read it (Milne & Culnan, 2004). While in a familiar website, there is no significant relationship between risk perception, trust and reading intention because it can be predicted that familiarity provides more certainty and control to customers and privacy policy, as a way to relieve uncertainty, is not the only source of information when customers perceive risk or trust the company.

#### 5.2 Recommendation

#### **5.2.1 Theoretical implication**

The key contribution of this research is to add the familiarity cue to the privacy-attitude-intention model and explore this model in both familiar and unfamiliar websites. Further research can employ and test this model under different conditions such as types of organization, level of consumer involvement. This research explores the different contents of privacy policy which complement the shortage of previous studies. In terms of behavioral intention, this research investigates the three key customers' intention: purchase intention, disclosure intention and intention to read privacy policy which offer a theoretical model of behavior intention according to privacy policy in the future research.

Unfortunately, the influences of four FIP contents on risk perception are not significant in both familiar and unfamiliar condition among Chinese customers which provides new consideration to future studies that cultural differences can be regarded as an influential cue. While the influences of FIP contents on customers' trust in company is significant in unfamiliar condition but not in familiar condition. The literature and the theories are most reported in western cultures. For western countries, privacy policies may decrease customers' perceived privacy risk and increase trust but for Chinese culture, privacy policy does not have significant influence and the future studies can deeply explore this phenomenon as privacy issues are getting increasingly attention in China. It is worth mentioning that the principle of notice and security positively influence customer's trust in a familiar website. This result contributes to theoretical implications that the influence of different FIP contents on customers' attitudes is different and in this study, principle of notice and security are more important to customers than the other two FIP principles.

Additionally, this research provides more evidence that trust is very important for both familiar and unfamiliar websites, because trust will increase customers' purchase intention and disclosure intention which will improve the rate of successful transaction.

Furthermore, the results also contribute to the situation of a new website or unfamiliar condition, customers' risk perception and their trust in company are more significant because either risk perception or trust has an impact on customers' willingness to provide personal information and their intention to read privacy policy. Because customers have no previous experience or knowledge with the new website, the risk increase under such online environment so people will behavior based on the their attitudes toward the website: it is too risky or reliable and such feelings or attitudes will determine their purchase intention, disclosure intention and intention to read privacy policy.

#### **5.2.2 Practical implication**

Nowadays China has completely entered the time of E-commerce, shopping online is an overwhelming lifestyle which create prodigious possibilities for Chinese companies. However, the issue of privacy disclosure emerges which will hinder the organizations' online business. Online vendors make a statement of protecting customers' personal information but the results from this study show that privacy policy may not decrease customers' perceived risk whether it is a new website or not. But the content of notice and security can increase people's trust in company in a familiar website. So the recommendation for popular and familiar website such as Taobao, it is necessary to improve and emphasize their privacy policy especially the principle of noticing what, how and why personal information will be collected and the principle of ensuring the personal information is secure. However for new and unfamiliar website, privacy policies may not as important as to familiar website in the building of customers' trust, instead, brand management and identity promotion is more useful at this moment because familiarity cue is more important than privacy policy in customers' trust and risk perception.

Additionally, as risk perception has no significant relationship with customers' purchase intention and disclosure intention so organizations should perfect the product-oriented characteristics because if someone is really attractive by the product, they will purchase it even there exist risks. But customers' trust positively influence purchase intention and disclosure intention in both familiar and unfamiliar website so the recommendation for online vendors is that establishing and maintaining customer's trust in companies is very important and essential. Hence it is inadequate only to improve or maintain the quality of product, but also to manage organizational reputation, positive reviews and service quality.

Furthermore, as risk perception and trust are significant to customers' intention to read in unfamiliar website so for new and unfamiliar website, people may depend more on privacy policy when they feel risky or when they trust the company. Even though the influence of privacy policy on customers' risk perception and trust is not significant in unfamiliar website, customers still intend to read it when they feel risky or trust the company because privacy policy is the only source of information of how

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the organization will use, employ or disclose customers' personal information. Therefore, unfamiliar or new online vendors should also emphasize the elaboration and present of the privacy policy webpage.

#### **5.3** Limitations and future research directions

There are several limitations to this study which provide opportunities for future research.

This study only used a quantitative research method, a qualitative method such as interviews or focus group can be conducted to explore more explanations and perceptions of FIPs' influence on behavioral intention through risk perception and trust. The research can be deeper and wider and explore why privacy policy will not increase trust or decrease privacy risk and how risk and trust influence their behavioral intentions.

Moreover, this study used the real website Taobao and fictitious website Qugo. The limitation of employing real website is that people may have preconceptions based on their previous experience or interaction with the website which will more or less influence their attitudes and choices when they fill in the online survey.

Furthermore, this study only investigates the cue of familiarity in peoples' perceptions, some other factors can be studied in the future such as personality, gender, culture and age. The sample only concludes 271 Chinese online shoppers and the theoretical model are mostly developed by western researchers with samples of people from western countries so it may not applicable among Chinese or Asian people. Therefore, samples from more locations are needed in the future to test the privacy policy influence.

In addition, this study only investigates the four FIP dimensions but there is another one which is enforcement. All five FIPs could be measured in the future and see whether the results will be different or not. Similarly, more dependent variables can also be taken into consideration such as intention to visit again, intention to recommend to others and intention to write positive reviews. What is more, this study only investigates the perceptions from customers' perspective. Future research should investigate perceptions from other stakeholders' perspectives such as employees and investors which are also very important to company's development and improvement.

#### 5.4 Conclusion

The aim of this study is to investigate the influence of FIP contents on customers' behavioral intentions in both familiar and unfamiliar websites. The four FIP principles are: notice, choice, access, security. A quasi-experiment was conducted to achieve this research goal and 271 valid were collected. It first explored the influence of FIP principles on customers' risk perception and trust in company and the results showed that privacy policy may not so important in risk perception. But notice and security of FIP principles can positively influence customers' trust in a familiar website. Moreover, it measured the influence of risk perception and trust on customers' behavior intentions: purchase intention, disclosure intention, intention to read privacy policy. The results showed that risk perception will not negatively influence customers' purchase intention and disclosure intention because Chinese people have already realized and accepted that online shopping is a risky activity but everybody still want to shop online even though there exist the risks. Moreover, familiarity plays important role in people's intention to read privacy policy because customers have no previous experience or knowledge with the new website. When the risk is more salient, they will go to the privacy policy to get more information and when the trust is more salient, customers are also willing to invest time and effort in reading the privacy policy. As a conclusion, online privacy policy is important but not so important as people expected because it really depends on the different culture and different type of organization. Even though privacy policy is not so influential now but we can see the improvement of Chinese online vendors in the awareness and understanding of privacy policy and they are making every possible effort to protect customers' personal information in the online environment.

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## Appendix

## Appendix A Website Design

Familiar website (Taobao.com)

王网	•	Q
	关于淘宝	
	◎ 淘宝简介	
	◎ 新闻中心	隐私权政策
	◎ 客户服务	I LATE AND
	◎ 合作伙伴	
	◎ 法律声明	淘宝网尊重并保护所有使用趣购平台服务用户的个人隐私权。为了给您提供更准确、
	🤒 隐私权政策	更有个性化的服务,淘宝网会按照本隐私权政策的规定使用和披露您的个人信息。
	<ul> <li>诚征英才</li> </ul>	
		1. 信息使用须知 在您使用淘宝平台服务,或访问淘宝平台网页时,淘宝网自动接收并记录的您的浏览 器和计算机上的信息,包括但不限于您的IP地址、浏览器的类型、使用的语言、访问 日期和时间、软硬件特征信息及您需求的网页记录等数据;如您下载或使用淘宝或其 关联公司移动客户端软件,或访问移动网页使用淘宝平台服务时,淘宝网可能会读取 与您位置和移动设备相关的信息 您有权选择接受或拒绝接受cookies。您可以通过修改浏览器设置的方式拒绝接受 cookies。但如果您选择拒绝接受cookies,则您可能无法登录或使用依赖于cookies 的淘宝平台服务或功能。
		<ol> <li>2.信息许可 淘宝网不会向任何无关第三方提供、出售、出租、分享或交易您的个人信息,除非事 先得到您的许可。为服务用户的目的,淘宝或其关联公司可能通过使用您的个人信息,向您提供您可能感兴趣的信息,或者与淘宝合作伙伴共享信息以便他们向您发送 有关其产品和服务的信息(后者需要您的事先同意)。</li> <li>3.信息访问</li> </ol>
		您可以任意地访问您的帐户以及与淘宝的互动,查看并更新您的个人信息。淘宝平台 的用户能够访问他们的个人信息,并纠正信息错误。
		4. 信息安全 您的账户均有安全保护功能,请妥善保管您的账户及密码信息。淘宝网将通过向其它 服务器备份、对用户密码进行加密等安全措施确保您的信息不丢失,不被滥用和变 造。如您发现自己的个人信息泄密,尤其是你的账户及密码发生泄露,请您立即联络 趣购客服,以便淘宝网采取相应措施。
		5. 强制措施 为了确保淘宝网遵循本隐私权政策,淘宝平台的用户有权采取强制措施,如采用外部 监管或认证项目。淘宝网将对任何违反此隐私权政策的个人或公司采取相应法律手 段。

我要发起维权 更多特色服务

新手学堂 新手注册 新手体验专区 交易安全 24小时在线帮助



货到付款 新人支付

 
 付款方式
 取口口

 支付宝快捷支付
 我要买 发现 分享 购物

 支付宝余额付款
 店铺街 轻轻松松找好店

 支付宝卡付款
 全球购 100%海外精品
 女装市场 各色女装集散地 更多特色市场

#### Unfamiliar website (Qugo.com)



#### 消费者保障

- 保障范围 退货退款流程 消费警示 我要发起维权 更多特色服务
- 新手上路 新手学堂 新手注册 新手体验专区 交易安全 24小时在线帮助



付款方式

支付宝快捷支付 支付宝余额付款 支付宝卡付款 货到付款 新人支付

#### 特色市场推荐

我要买 发现 分享 购物 店铺街 轻轻松松找好店 全球购 100%海外精品 女装市场 各色女装集散地 更多特色市场

#### **English translation**

#### Privacy policy:

Taobao/Qugo respects and protects all Taobao/Qugo platform services users' personal privacy. In order to provide you with more accurate and more personalized service, Taobao/Qugo will use and employ your personal information in accordance with this privacy policy.

1. Notice

When you use Taobao/Qugo platform services, or visit the Taobao/Qugo platform website, Taobao/Qugo automatically receives and records information on your browser and computer, including but not limited IP addresses to your browser type, the language used, date and time, hardware and software feature information and your web history requirements and other data, such as when you download or use Taobao/Qugo or its affiliates mobile client software, or access the mobile web use Taobao/Qugo platform services.

You have the right to accept or reject cookies by modifying your browser settings to refuse to accept cookies. But if you choose to refuse to accept cookies, you may not access or use Taobao/Qugo platform services or features which are cookies-dependent

2. Choice

Taobao/Qugo will not provide, sell, rent, share or trade your personal information without your prior permission to any unrelated third party. For the purpose of customer service, Taobao/Qugo or its affiliates may be through the use of your personal information to provide you with the information you may be interested in, or send information about their products and services to you which requires your prior consent. Taobao/Qugo will disclose your information to third parties only with your prior permission.

#### 3. Access

Taobao/Qugo gives you access to a broad range of information about your account and your interactions with Taobao/Qugo.com for the limited purpose of viewing and updating that information. Taobao/Qugo platform users are able to access their personal information and correct errors about their information.

#### 4. Integrity

Your account has security features and Taobao/Qugo ensures your information is not lost, will not be abused or altered by the means of being backed up by the other server, user password encryption and so on. If you find that your personal information is leaked, especially your account and password is disclosed, please immediately contact us in order for Taobao/Qugo to take appropriate measures.

#### **Appendix B The Questionnaire**

#### The Chinese version

尊敬的各位先生/女士:

我是荷兰屯特大学的一名在读研究生,最近我在做关于电子商务隐私权政策 的毕业论文。为了收集数据,现在需要您的配合来帮助我完成这次研究。问卷采 取不记名的方式,所获得的数据仅作为学术研究,无任何商业目的,不会做任何 纰漏,您的答案将予以绝对的保密。

非常感谢您愿意参加这次调研,它将占用您大约 10 分钟的时间。接下来您 将看到一个显示隐私权政策的网页,请您仔细阅读,并且按照您的真实意愿和情况认真作答。

祝好,

屠雨

#### 第一部分

当今社会,网上购物已然成为越来越多人生活中一项必不可少的消费形式。然而 随着网购的普及和逐渐主流化,网上个人信息泄露等一些列信息安全问题也随之 而来。为了保护客户的隐私安全,针对客户信息安全保护的隐私权政策出现在了 各大网站的主页面上。接下来您将看到一个网上购物网站隐私权政策的页面,请 仔细阅读材料,并回答后面的问题:

您对上述材料中显示的网上购物网站熟悉吗?

- 1. 完全不熟悉
- 2. 不太熟悉
- 3. 熟悉度适中
- 4. 很熟悉
- 5. 非常熟悉

根据上述材料,您有权通过修改浏览器设置的方式拒绝接受\_\_\_?

- 1. 广告
- 2. Cookies
- 3. 产品信息
- 4. 您感兴趣的产品
- 5. 物流信息

#### 第二部分

下面列出的是一些观点和想法,请根据您对上述材料的理解和感知对各项表述做出选择。

FIP 隐私权政策	一点也不	稍微有点	重要度适	非常重要	极为重要				
	重要	重要	中						
	1	2	3	4	5				
信息使用须知的重要性									
1.这个网站解释了什么样									
的信息将会被收集									
2.这个网站解释了为什么									
这些个人信息会被收集									
3. 这个网站解释了 cookie									
的使用									
信息许可的重要性									
4.这个网站为消费者提供									
了是否同意将个人信息共									
享给第三方的选择									

5.这个网站在将信息共享					
给第三方之前会事先询问					
您的许可					
信息访问和修改的重要性					
6.这个网站允许您访问自					
己的个人信息					
7.这个网站允许您修改自					
己的个人信息					
8.这个网站允许您更新已					
分享或提交的个人信息					
信息安全的重要性					
9.这个网站承诺并保证您					
的信息是安全的					
10.这个网站确保您的信息					
不丢失,不被滥用和变造					
11.这个网站具备成熟的技					
术来保证您的信息安全					
强制措施的重要性					
12.这个网站对于违反此隐					
私权政策的个人或公司采					
取相应强制措施					
13.为了确保该网站遵循此					
隐私权政策,消费者有权采					
取有效强制措施,如外部监					
管或认证项目					
风险认知	完全不同	不同意	既不同意	同意	非常同意
	意		也不反对		
	1	2	3	4	5

					1
14. 我感觉我的个人信息					
在这个网站是不安全的					
15. 我觉得这个网站不会					
保护我的个人信息					
16.我担心这个网站不会关					
心我的个人隐私					
17.这个网站会泄露我的个					
人信息					
18. 这个网站会不经过我					
的允许为其他目的使用我					
的个人信息					
对公司的信任	完全不同	不同意	既不同意	同意	非常同意
	意		也不反对		
	1	2	3	4	5
19.我相信这个网站会保护					
我的个人信息					
20. 我相信这个网站有能					
力保护我的个人信息					
21.我感觉这个公司不会欺					
骗我					
22.我觉得这个网站是值得					
信任的					
23.我相信这个网站					
购买意愿	完全不可	稍微有点	可能性适	有很大可	完全可能
	能	可能	中	能	
	1	2	3	4	5
24.在未来我打算在这个网					
店买东西					

25.相较于其他网店,我更					
愿意在这个网店购买商品					
26.如果我想在网上购物,					
我会选择从这个网店购买					
商品					
27.如果价格一样,相较于					
其他网店我会选择在这个					
网站购买					
信息披露意向	完全不可	稍微有点	可能性适	有很大可	完全可能
	台上	可能	中	台上	
	1	2	3	4	5
28.我愿意向这个网站提供					
28.我愿意向这个网站提供 我的个人信息					
我的个人信息					
我的个人信息 29.如果该网站在我网购过					
我的个人信息 29.如果该网站在我网购过 程中需要我的个人信息,我					
我的个人信息 29.如果该网站在我网购过 程中需要我的个人信息,我 会不犹豫的向其提供					
我的个人信息 29.如果该网站在我网购过 程中需要我的个人信息,我 会不犹豫的向其提供 30.我不想向这个网站提供					

### 第三部分

请填写您的个人信息:

32. 您的年龄								
33. 您的性别	男				女			
34.您最高的教育水平	专科及以下		本科		硕士		博	<b>非</b> 无以上
35. 您的网购频率	一年一次	一季	度一次	一月一	一次	半月一次		一周一次
隐私关注评估	完全不同意	不同	意	既不同	同意也	同意		非常同意
				不反对	ţ			

36. 我认为互联网会导					
致严重的隐私问题					
37. 相较于他人, 我					
对于购物网站会如何					
处理我的个人信息更					
敏感					
38. 相较于其他问题,					
个人隐私安全问题对					
我来说非常重要					
隐私权政策的阅读意	完全不同意	不同意	既不同意也	同意	非常同意
向			不反对		
39. 在向购物网站提					
供个人信息之前, 我					
会阅读该网站的隐私					
权政策					
40. 即使我不向该网					
站透露个人信息,我仍					
然会阅读类似购物网					
站的隐私权政策					
41. 我会阅读商业网					
站的隐私权政策,了解					
我的个人信息将如何					
被使用和被保护					

#### The English version

#### Dear participant,

I am a master student of Communication Studies, University of Twente. I am doing my master thesis which is about privacy policy in E-commerce. Now I need your cooperation to help me with this survey for data collection. This survey is purely for academic research without any commercial purpose and your participation in this research is anonymous, your answers will be treated with utmost confidentiality.

Thank you for your willingness to participate in this research which will take approximately 10 minutes of your time. In the following you will see a webpage of privacy policy. Please read it carefully and answer the following questions seriously according to your real feeling and situation.

Best regards

Yu Tu

#### **First section:**

Nowadays, online shopping has become more and more essential to people's daily life. However with the popularity of online shopping, the concern of information disclosure has increased. As a solution, privacy policy is formed to protect consumer's privacy appear on the main page of major sites. The following webpage demonstrates the privacy policy of the online shopping website, please read carefully and answer the questions:

#### **Control questions:**

Are you familiar with this shopping website?

- 1. Not at all familiar
- 2. Not so familiar
- 3. Neutral
- 4. Very familiar

#### 5. Extremely familiar

According to the material, you have the right to modify your browser settings to accept or refuse\_\_\_\_

- 1. Advertisement
- 2. Cookies
- 3. Product information
- 4. Product that you may interested
- 5. Delivery information

#### Second section:

Please read the following statements and indicate the extent to which you think is not at all important or extremely important according to your perception from the above information.

FIPPs	Not at all	Slightly	Moderately	Very	Extremely
	important	important	important	important	important
	1	2	3	4	5
Notice/awareness					
1.This website explaining					
what information is to be					
collected					
2.This website explaining					
why personal information is					
to be collected					
3. This website noticing the					
use of cookies					
Choice/consent					
4.This website providing a					
choice about whether or not					

				[]
information will be shared				
with third parties				
5.This website asking				
permission before disclosing				
personal information to				
third parties				
Access/participation				
6.This website allows you to				
access your information				
7.This website allows you to				
correct inaccuracies in				
collected information				
8.This website allows you to				
update information that				
have supplied or shared				
Integrity/security				
9.This website ensuring				
your information is secure				
10.This website ensuring				
your information will not be				
abused or altered by other				
server				
11.This website has the				
advanced technology to				
protect your personal				
information				
Enforcement/redress	 <u> </u>	L	<u>I</u>	<u> </u>
12.This website will take				
measures against those who				
	1	1	1	

violate the privacy policy					
13.Consumers have a right					
to ensure the organization					
complying with this privacy					
policy through enforcement					
measures					
Risk perception	Strongly	Disagree	Neutral	Agree	Strongly
	disagree				agree
	1	2	3	4	5
14. I feel my personal					
information is not safe with					
this online vendor					
15. I think the vendor will					
not protect my personal					
information					
16.I am afraid that this					
vendor does not care about					
my privacy					
17.This vendor would abuse					
my personal information					
18. This vendor might use					
my personal information for					
other purposes without my					
consent					
Trust	Strongly	Disagree	Neutral	Agree	Strongly
	disagree				agree
	1	2	3	4	5
19.I believe the vender will					

protect my personal					
protect my personal					
information					
20. I believe this website					
has the ability to protect my					
information					
21.I feel that this online					
shop will not deceive me					
22.I feel that this website is					
trustworthy					
23.I trust this online shop					
Purchase intention	Not at all	Slightly	Moderately	Very	Completely
	likely	likely	likely	likely	likely
	1	2	3	4	5
24.I intend to purchase from					
this online vendor in the					
future					
25.I would rather buy in this					
company than other online					
vendors					
26.I will choose this vendor					
when I want to buy					
something online					
27.If the price is the same, I					
will choose this online					
vendor than others					
Disclosure intention	Not at all	Slightly	Moderately	Very	Completely
	likely	likely	likely	likely	likely
	1	2	3	4	5

28.I would be willing to			
provide my personal			
information to this website			
29. I would not hesitate to			
share my personal data to			
this online vendor			
30.I don't want to provide			
my personal details to this			
online vendor*			
31.I am intending to share			
my personal information to			
this website			

#### Third section:

Please indicate your personal information:

32. How old are you?										
33.What's your gender?	Male			Female						
34.What's your highest	Polytechnic Bachelor			Master		P	PHD and			
education level?	degree	and						ał	oove	
	below									
35.How often do you	Once a year	0	nce	a	Once	a	Twice	a	Once	a
shop online?		qua	rter		month		month		week	
Privacy evaluation/	Strongly	Disagree N		Neutra	Neutral Agr			Strongly		
concern	disagree								agree	
36. I think the Internet										
would cause serious										
privacy problems										
37.Compared to others, I										
am more sensitive about										

the way online					
companies handle my					
personal information					
38.Compared with other					
subjects on my mind,					
personal privacy is very					
important					
Intention to read online	Strongly	Disagree	Neutral	Agree	Strongly
privacy policy	disagree				agree
39.I would read an online					
privacy policy on					
commercial website					
before I would disclose					
my personal information					
40.Even if I would not					
disclose personal					
information, I would still					
read the privacy policy					
on a commercial website					
41.I would read the					
privacy policy on a					
commercial website to					
know how my					
information will be used					
and protected					