Estimation of consumers’ solvency based on voluntarily given personal data online

Consumers’ perspective of privacy in the context of using Big Data applications

Already the 1950’s and 60’s family-run mom-and-pop store offered different prices to consumers depending on the knowledge of their solvency. Even in 2016, there still exist small stores i.e. next to town halls or local churches, which are owner-run businesses, and are more willing to give discounts for lower income customers. Current news report more frequently about online price differentiation. In April 2016 the german daily newspaper “Rheinische Post” reported about online price differentiation used by booking cottages in the Netherlands by differentiating the geolocation of the consumers analysing their IP-addresses. In this case consumers from Germany had to pay 345,50 € more per person for a visit than consumers from the Netherlands during the summer holidays in the Holiday Park “Landal”.

There exist a few reports about online price differentiation not only by using the geolocation information, but also by analysing behavioural data like the browser history or kind of mouse movement as well as technical data like the information about the used operation system. By using information like these online retailers try to operationalize the solvency of consumers.

These reports lay the foundations for a research work in two steps. In the first step online prices are compared by using three different “created users”. These users are fitted with the underlying idea, that one may be a luxury-user with a browser search history i.e. including a luxury watch, the other one may be a price sensitive user with a browser search history i.e. price search engine and the third one without sending any personal information like geolocation, technical information or behavioural information.

These tests will be conducted in different countries (Germany, Spain, China) until December 2016. The first results show i.e. different prices for an online dating platform. In this case the consumer has to answer a lot of questions on one hand about soft aspects like personal food preferences or respond to the question of whether he prefers to sleep with open or closed window. On the other hand the consumer is asked about hard aspects like income or age. The consumer gives an advance payment in confidence and answers truthfully to all these questions in the hope of finding his big love in the end within this database. There is no way to avoid these questions, as a membership is not possible without answering to all these questions. But the truth is that the platform uses this information to evaluate the solvency of each consumer. In detail there are different prices for the price sensitive user, a 35 year old craftsman, with 9,69 € up to 36,69 € per month for the luxury-user, a 38 year old surgeon. The OS of the used laptop also plays an important role. The surgeon with an apple laptop had to pay 36,69 € and with a windows laptop 22,69 €. This way of rating the solvency may be questioned from the perspective of consumers, as he believes his replies to the questions is directly linked to his hope in finding his real love.

The second research step includes the consumers’ perspective. For consumers this kind of online price differentiation is not transparent. In case the price differentiation in family-run...
stores are also not transparent, but in the trusting basic assumption for public good consumers feel not unfairly treated. The practices of online retailers deciding the verdict by operationalize a selection of hard factors could make consumers feel discomfort. The reason could be that consumers don’t give information about their personal behaviour voluntarily, knowingly or intentionally to online retailers. For another reason the information asymmetry of consumers and retailers is imaginable.

The research work root this abstract deals with the perspective of consumers on the topic of online price differentiation and credit ratings by using online collected data. Therefore, comments in Social Media Networks, amongst newspaper articles and out of interviews were evaluated by using the qualitative content analysis of Mayring. Furthermore, consumers were asked about their personal experiences with online price differentiation and about situations where they recognized different prices at the same time. The focus of this second research step is the question, from what wants the consumer to be protected? Based on heuristics of consumers it is possible to make an assessment on regulations in terms of acceptance on consumers’ side.

The first result even during searching for material was, that consumers don’t use the terms “price differentiation” or “price discrimination” to describe or discuss about different prices on the Internet. Therefore, searching in Social Media Networks for these keywords wasn’t effective. Comments among newspaper articles about this topic and interviews were used, too. The evaluation shows different categories: indifference, discrimination, distrust, uncertainty, tolerance and resignation. In consumers’ perspective the current practice of online price differentiation is closely linked to the often discussed context of data abuse. Fassnacht and Unterhuber (2016) argue theoretical implications such as “consumers do not generally consider price parity between the online and offline channel as unfair”. Also authors point out that “price differentiation with higher offline prices can be a feasible option for multi-channel retailers to increase profits without destroying consumer’s fairness perceptions”.

This study further postulates the significance of surveillance consumers online. Ball (2016) defines the concept of surveillance as a “feature of any data collection and analysis process which involves information about people. Always is deployed for the purpose of influencing or managing different populations”. Similarly, Martin (2016) categorizes firms online based on the firms’s relationship with consumers and the breadth of information collected, suggesting that “if a firm wishes to uphold its obligations online, that firm will need to decrease its roles within a supply chain of information, in a system of surveillance, and as an arm of law enforcement. Such firms benefit from aggregating and analysing user data and have an associated responsibility to minimize the harm to users and enact change where they are in the most knowledgeable and powerful position”.

In examining the behavioural data of consumers, this article aims to tests the influence of indifference, discrimination, distrust, uncertainty, tolerance, resignation and perception of privacy on their shopping roles.

Sources:

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