Taking Care of Business: Privacy by Design

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The Beginning of the Privacy Revolution

“Anyone today who thinks the privacy issue has peaked is greatly mistaken...we are in the early stages of a sweeping change in attitudes that will fuel political battles and put once-routine business practices under the microscope.”

– Forrester Research, March 5, 2001
The Business Case

- Consumer trust drives successful CRM and LTV… in other words, $$$$$.
- Broken Trust = Loss of market share, loss of revenue, lower stock value
- Consumer trust hinges on a company’s privacy policies and practices
What Consumers Want: Control

♦ Nearly 90% of online consumers want the right to control how their personal information is used after it is collected.

♦ The privacy issue could easily spin out of control and hobble consumer e-Commerce confidence.

♦ Due to consumers' privacy concerns, e-commerce companies lost some $2.8 billion last year.
The Reality of E-Commerce: The Bottom Line

- Total value of online sales in the United States was only 0.6% ($5.2 billion U.S.) of all retail sales in the 4th quarter of 1999.
  - *U.S. Dept. of Commerce Census Bureau, 2000*

- In Canada the figures were even worse: the total value of online sales was only $4.4 billion – or 0.2% of total operating revenues for 1999
  - *Statistics Canada, August 2000*
Understanding Privacy

♦ The public perspective
  – Privacy # 1 issue in the 21Century
    Wall Street Journal, January 24, 2000
  – The price of mishandling privacy is high – some high-profile lawsuits:
    • Doubleclick
    • Intel Pentium III
    • Hotmail
    • Amazon/Alexa
Corporate Response

♦ Creation of a new position: CPO (Chief Privacy Officer)
♦ The fastest growing professional designation in the corporate world
♦ Senior reporting relationship is critical to effect meaningful change.
Security ≠ Privacy
Privacy and Security: The Difference

- Authentication
- Data Integrity
- Confidentiality
- Non-repudiation

Privacy; Data Protection
(Fair Information Practices)
Fair Information Practices: A Brief History

- OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data
- E.U. Directive on Data Protection
- Personal Information Protection and Electronic Documents Act: Canada
- U.S. Safe Harbor Arrangement
CSA
Fair Information Practices

- Accountability
- Identifying Purposes
- Consent
- Limiting Collection
- Limiting Use, Disclosure, Retention
- Accuracy
- Safeguards
- Openness
- Individual Access
- Challenging Compliance
The Positives of Privacy...

- You develop trust
- This in turn builds consumer confidence
- You build customer loyalty
- You gain a competitive advantage
...The Negatives of Ignoring It

♦ threat of lawsuits and other legal consequences
♦ loss of customers
♦ loss of consumer confidence and, consequently, market share
♦ downward spiral of stock prices
Know your Customers: How the Public Divides on Privacy

The “Privacy Dynamic” - Battle for the minds of the pragmatists

Equifax Canada
The Personal Touch

♦ 82% said a website’s privacy policy is a *critical factor* in their decision to purchase.
♦ 84% said they had refused to provide info because they were unsure how it would be used by the company.
♦ 56% said they were more likely to shop at a site that offers personalization.

Privacy + Personalization = SALES

-Cyber Dialogue, May 2001
From Theory to Practice: Designing for FIPs

- What is needed is the convergence of these principles (FIPs) with those found in systems design.
- What is needed are the *design correlates* to Fair Information Practices.
- The systems design and architecture should translate the essence of these practices into the language of the technology involved.
Privacy By Design: Build It In

♦ Build in privacy – up front, right in the design specifications.
♦ Minimize the collection and routine use of personally identifiable information – use aggregate or coded information if possible.
♦ Wherever possible, encrypt – think about anonymity and pseudonymity.
♦ Assess the risks to privacy: conduct a privacy impact assessment; privacy audit.
♦ Develop a corporate culture of privacy.
Data gathered through wireless technology (location tracking devices):

- Location
- Time stamping
- Transaction information
- ID information
A Closing Thought

“To survive mounting consumer anxiety… firms need to institutionalize their commitment to protecting… customers’ privacy by taking a comprehensive, whole-view approach… The cost of a privacy PR blowout can range from tens of thousands to millions of dollars… and this doesn’t include lost business and damage to the brand.”

-Forrester Research
How to Contact Us

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