

MORRISON & FOERSTER INSIGHTS

CONSUMER OUTLOOKS ON PRIVACY

MORRISON
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EXECUTIVE SUMMARY

Privacy is a social norm, sometimes captured in laws and regulations, which sets limits on the collection, protection, processing, and deletion of personal information.

As has become increasingly clear in recent years, privacy presents real business risks that have the potential to negatively impact a company's bottom line, from the legal fees associated with a data breach to a decline in revenue stemming from a loss in consumer trust.

In November 2015, Morrison & Foerster conducted an online survey of more than 900 consumers from across the United States to gauge consumer attitudes and concerns about various privacy issues. The demographics of the survey sample generally track the U.S. Census, and are available upon request.

Some of the survey's key findings include:

- **Privacy concerns influence consumer purchasing decisions.**

At least once in the last 12 months, more than one-third (35%) of respondents indicated that they had decided not to purchase products or services from a company because of privacy concerns.

- **More-educated, higher-earning consumers are more likely to stop buying from a business because of a data breach.**

Among respondents, approximately one in five (22%) reported that they no longer purchased products or services from a company because of a reported data breach. High-earning, well-educated consumers reacted the least favorably to this scenario.

EXECUTIVE SUMMARY

- **Identity theft is the biggest privacy concern among consumers.**

For more than half of the survey's respondents (52%), identity theft was their biggest privacy concern.

- **The government fares worse than the private sector when it comes to consumer trust.**

Of respondents, 37% indicated that they trust the business community more than the government. This represents a significant change from the 2011 survey, which was conducted shortly before Edward Snowden made headlines.

CONSUMER BEHAVIOR AND PRIVACY

Consumers identify privacy as a factor that influences their buying decisions. In the last 12 months, nearly one in three U.S. consumers (35%) have made a decision about what company to purchase products or services from based on privacy concerns.



This dynamic is increasingly acute among consumers who identify themselves as being “concerned” about privacy. In 2011, five out of 10 U.S. consumers (54%) reported a decision not to make a purchase because of privacy concerns. Today, more than eight in 10 consumers (82%) identify privacy concerns as a factor that has adversely affected their decision to buy a product or service from a particular company.

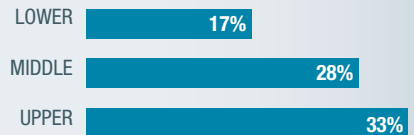


CONSUMER BEHAVIOR AND PRIVACY

A correlation exists among education, income, and the influence of privacy on consumer purchasing decisions. Consumers with higher incomes (\$100,000 or more), as well as consumers with a college or post-graduate degree, are more likely to buy a product or service because of privacy protections that a company has put into place. The same group is likely to stop buying a company's product or services if a data breach has occurred.



CONSUMERS WHO HAVE STOPPED BUYING FROM A COMPANY BECAUSE OF A DATA BREACH (BY INCOME)



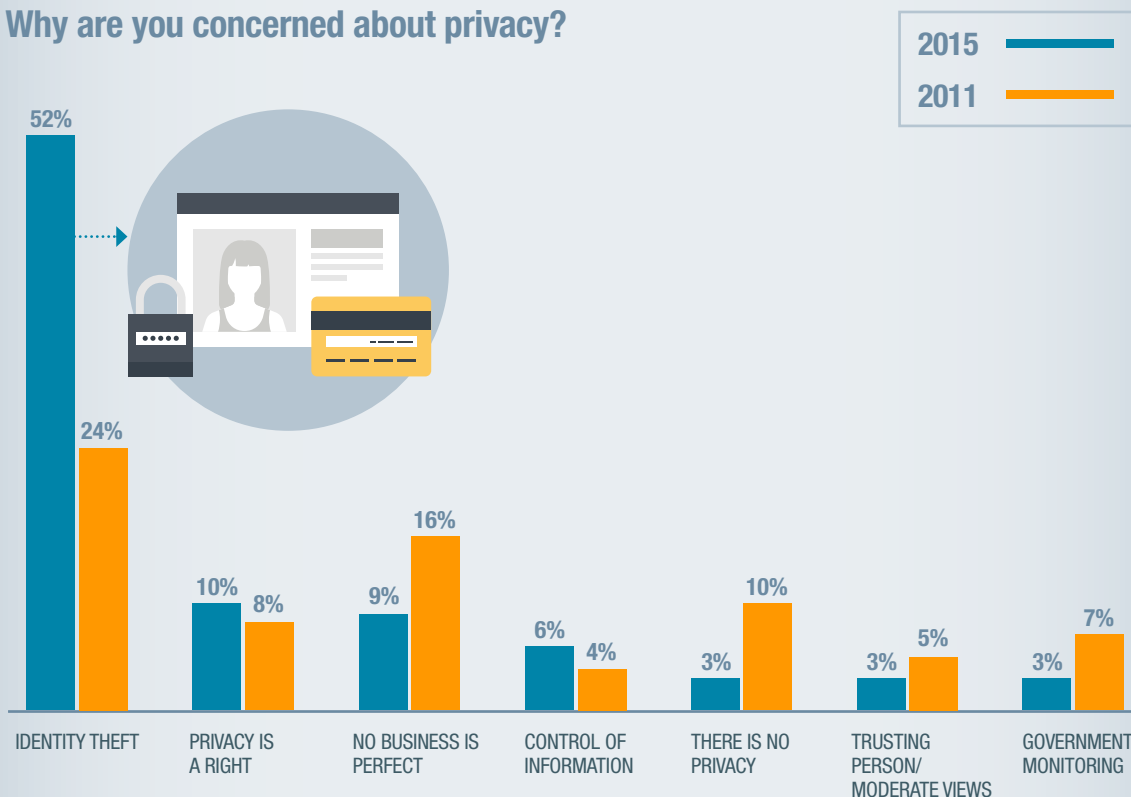
CONSUMERS WHO HAVE STOPPED BUYING FROM A COMPANY BECAUSE OF A DATA BREACH (BY EDUCATION)



CONSUMERS' GREATEST PRIVACY CONCERNS

Consumers point to various issues to explain their concerns over privacy. For more than half of U.S. consumers (52%), identity theft is the greatest privacy concern.

Why are you concerned about privacy?



PRIVACY AND TRUST IN THE PRIVATE SECTOR

Some consumers have given up on the ability of companies to protect sensitive and personal information. Consumers put their trust in companies for a host of reasons, including their belief in the brand (17%) and observed technological safeguards (16%).

Why do you trust companies with your personal information?

No company is perfect	24%
Brand/trust in technology	17%
Observed technology	16%
Long-time customer	11%
Never had a problem	10%
Company addressed the issue	5%
Heavily regulated	5%
Read policies	3%
Financial Institution	3%
Researched company	3%
Size of company	2%
Media spokesperson	1%

PRIVACY AND TRUST IN THE PRIVATE SECTOR

Consumers consistently regard their social security numbers as their most sensitive piece of personal information, followed by any password or other personal identification number that is required to access an online account or services.

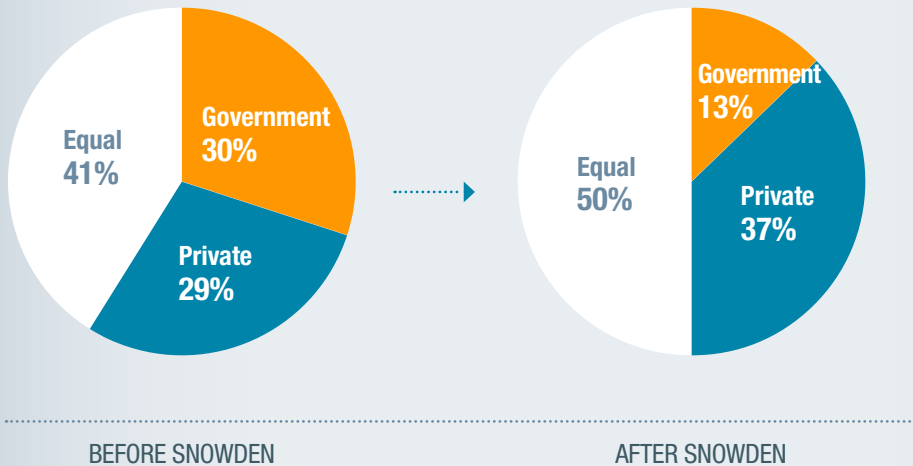
10 Most Sensitive Elements Among Consumers

2015	2011
1. Social Security Number	1. Social Security Number
2. Password or other personal ID number used to access an account or services	2. Password or other personal ID number used to access an account or services
3. Payment card information	3. Credit card or other account number, including information associated with a credit card
4. Any ID or number, including account numbers, user IDs, passwords, etc.	4. Financial information, including income tax filings, financial statements, etc.
5. Financial information, including income tax filings, financial statements, etc.	5. Any ID or number, including account numbers, user IDs, passwords, etc.
6. Credit card or other account number, including information associated with a credit card	6. Payment card information
7. Account balances	7. Account balances
8. Alien registration number, government passport number, employee ID number, taxpayer ID number, Medicaid account number, food stamp account number, medical ID number, or health insurance ID number	8. Automated or electronic signatures
9. Biometric information or numerical representation of biometric data, including finger/voice prints, handwriting, etc.	9. Information from the computer chip, and/or magnetic strip of a credit card or other payment card
10. Automated or electronic signatures	10. Alien registration number, government passport number, employee ID number, taxpayer ID number, Medicaid account number, food stamp account number, medical ID number, or health insurance ID number

PRIVACY AND TRUST IN THE GOVERNMENT

Consumers have lost some trust in the U.S. government when it comes to protecting privacy. Prior to Edward Snowden's defection to Russia, 30% of consumers put greater trust in the government than the private sector. Today, nearly three times as many people (37% versus 13%) trust the business community more than the government. The remaining 50% of consumers trust the government and private sector equally.

Whom do you trust more? The government or the private sector?



PRIVACY AND TRUST IN THE GOVERNMENT

Greater transparency would go a long way in reestablishing lost trust in the U.S. government. Seven out of 10 consumers (70%) indicated that they would be more accepting of U.S. government surveillance programs if the government provided more information about how the programs worked and how the government was protecting the privacy of its citizens.

Views on Government Surveillance



ABOUT MORRISON & FOERSTER

Morrison & Foerster is a global firm of exceptional credentials. Our name is synonymous with a commitment to client service that informs everything that we do. We are recognized throughout the world as a leader in providing cutting-edge legal advice on matters that are redefining practices and industries.

Our Global Privacy & Data Security Group has more than 60 lawyers in the United States, Europe, and Asia who actively counsel, litigate matters, and represent clients before regulators around the world. We're privacy counsel of choice for some of the world's largest and best-known corporations, as well as for a host of smaller companies and organizations. Our skills are particularly valued by companies that operate in highly regulated sectors (such as financial services, healthcare, and pharmaceuticals), those with an online presence, those operating internationally, and companies facing regulatory scrutiny or litigation.

We take a big picture view of how an organization handles information during its life cycle and help our clients find practical solutions to seemingly complex problems. From big data to cybersecurity and online behavior advertising, our lawyers work on cutting-edge issues that cover every aspect of privacy and data security.

In 2015, we were named Cyber Crime Firm of the Year by *Legal 500 US* and Privacy & Consumer Protection Practice of the Year by *Law360*. *Chambers Global* ranks our practice Tier 1 in its global data protection category.

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