



"Your future dream is a shopping scheme"

## The Hidden Cost of Online Convenience

The Web is becoming more intimate every day. Surfers are embedded in invisible cocoons that reflect their own tastes and interests everywhere they go.

This enables a more pleasant and convenient online experience. But the old saying is correct, "There's no such thing as a free lunch." Like every other business, those providing online services exist to make money. Those fancy features we take for granted must have a price. Would it all seem so comfortable or benign if we really knew what it was about and how it worked?

Users pay for these "free" services with information about themselves, their interests, likes and dislikes, friends, and a host of other facts - the kind of data marketers lust after. However, the real cost might not just be a little **privacy**, but ultimately **free will**.

This issue highlights recent developments in the ongoing erosion of personal private space. Both Google and Facebook have announced major changes to their privacy policies. And the *New York Times* published an inside look at the surprising ways large retailers actually use the information they gather.

### Making the Web cozier

**Google's** new privacy policy essentially eliminates user anonymity. As of March 1, instead of 70 separate policies covering their various services, there is now only one. This means a registered user cannot use a different identity for the search engine, YouTube, Google+, and Gmail, or their Android phones. The purpose is that the data collected by their non-search functions will be used to improve search results.

Google claims that privacy policies are changing but not its controls, and it's all meant to make the whole range of its products easier to use. But 13 state attorneys were concerned enough to send a letter to the company not long ago demanding an explanation. They were troubled that one service could not be used without having data shared with all the others.

Europeans also have raised similar concerns. France's data guardian agency has launched an investigation into Google's compliance with European legislation.

Over time, **Facebook's** own default privacy settings have actually become *more* permissive, rather than less so. Only in the last six months or so has it introduced easily accessible controls over specific types of sharing. Yet one of the choices they intended to phase out blocks users from tagging another users' location. Moreover, the social networking giant's long history of doing, and then apologizing for, data-sharing "mistakes" is wearing out.

Google's rationalization is that these changes further personalizes search, eliminating results that don't fit the users' requirements. "Simple, seamless, and user-friendly" sounds great for users, but what do the companies get out of it? What's in it for them, especially if as Google says, they don't sell data to advertisers? Why are they so eager to collect it all anyway?

### Customizing the experience

Knowing customers' likes obviously allows advertising to be aimed more specifically. You're zeroed-in on at every site you visit, from recommendations ready when you arrive at Amazon, all the Google Ads you encounter anywhere, to the offers that pop up when you leave Facebook. But most people have no idea just how widespread and understated data collection and collation is. With Facebook's "Like" button, and Google Ads spread across the Net, they can track their users online virtually everywhere online

But what do they want with all that data? A glimpse inside was recently given by the *New York Times*, when one of its reporters came across an expert who was eager to talk until his employer silenced him, and the company then refused all contact.



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In "How Companies Learn Your Secrets" published last month, reporter Charles Duhigg interviewed Andrew Pole. Pole is a predictive statistician for the Target retail chain, a geek who proudly calls himself a "math nerd" into "evangelizing analytics." Before Target shut him up, Pole was open and forthright about what the merchandiser knew about peoples' shopping habits and how it manipulated them.

**Target** is a nationwide retailer that sells everything - food, clothes, toys, electronics, home furnishings; the works. When Pole was hired, the company's marketers explained to him that most shoppers go to specialized shops for everyday needs, visiting big box stores only for certain items that they associate with the store. They wanted to change those habits.

As the billions of dollars poured into advertising every year shows, ingrained habits are notoriously hard to modify. The best time science found is when a person is undergoing major life changes - like moving, graduation, getting married, and **having a child**.

Since births are publicly announced, parents are flooded with offers for all things infantile as soon as the baby arrives. It's far better for Target to reach them *before* anyone else. Then when the frazzled new moms and dads come in they'll grab not only baby stuff but stock up on everything else they need. Shopping at Target will become habitual. And they'll never even notice they're now loyal customers.

Pole found that most expectant mothers start purchasing baby goods in the second trimester. But how to identify them? Baby registries were an obvious but limited source of information as only women who wanted to disclose their pregnancy would sign up.

But discovering what those women bought might indicate what all pregnant women needed. Sure enough, analyzing their purchases showed that those women also picked up lots of unscented lotion and mineral supplements early on. When they also started adding hand sanitizers and huge bags of cotton balls, it meant the due date was getting near.

Pole was able to identify 25 products that allowed him to predict which female customers were with child and closely estimate when the baby was due. Target could then send them helpful coupons every step of the way. But there was a catch. If the baby appeals were too obvious, women tended to get uncomfortable, sometimes even quite angry.

Acknowledging they were predicting customer behaviors could be a public relations disaster. So for those on the suspected pregnancy list, diaper coupons would appear next to ads for wine or lawn mowers in their mailings. As long as women mistakenly thought that their neighbors saw the same circular, Target could piggyback new buying habits onto the old, unsuspected but precisely targeted.

## Psychological exploitation

Like other big retailers, Target assigns each shopper a unique ID number to keep track of all they buy. It is also attached to demographic information: age, marital and child-bearing status, credit cards, websites visited. They can also buy data about your job and school history, topics you discuss online, coffee preferences, charities, magazines read, and so on.

Predictive analysts like Pool try to make sense out of it all. Their research involves statistics but is solidly based on the psychology of **habit formation**. Experiments on rats have shown a great deal about how we mammals form habits, what activates or decreases them, and why they become so automatic.

**Habits** smooth life's chores by making repetitive actions so routine they become second nature. They are easily learned but hard to unlearn because they form loops: a **cue**, the **routine**, and a **reward**. Even driving your car involves hundreds of repeated small habits, the ultimate reward being a safe trip.

The more times the **loop** is rerun, the harder the habit is to break. Strong reinforcing cravings can even emerge. In fact, psychologists have determined it's far easier to change a habit than deny it. But most of our buying habits are as automatic as driving; just another set of largely unconscious routines.

Marketers can now spot cues, rewards, and vulnerabilities that you may respond to **without thinking**. So putting in diaper coupons next to wine ads for expectant mothers is not just a way to hide this knowledge but to tease an old habit into a new one.

**Advertising** is now more of a scientific scheme to **program** humans than to **persuade** them. As long as such subtle but powerful psychological exploits are employed to move air fresheners or get us interested in swimsuits in April, it's not too bad. But there are *no* guarantees that manipulative techniques aren't being utilized for other purposes – to promote political candidates, agendas, lifestyles, even religions.

Our data is being used to sell us: we are not the consumers but the consumed. With the incredible volumes of facts daily being harvested by Facebook and Google and other entities, one can only wonder: Who are we being sold to and for what end?



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