



LOTUS MARKETPLACE: HOUSEHOLDS... MANAGING INFORMATION PRIVACY CONCERNS (A)

By mid-January 1991, it was apparent both to privacy advocates and executives at Lotus and Equifax that the uproar surrounding the upcoming introduction of the **Lotus Marketplace: Households** (hereafter, **Marketplace: Households**) product was coming to a head. Lotus announced the new desktop product for Macintosh computers on April 10, 1990. According to the product announcement, **Marketplace: Households** was a CD-ROM (compact-disc, read-only memory) database containing actual and inferred information (name, address, age, gender, marital status, household income, lifestyle, and purchasing propensities) for 120 million individuals in 80 million U.S. households. The product also included software, which would enable users to generate mailing list for targeting prospective customers by identifying records within the database that met specific marketing requirements. The product was a joint venture between Lotus Development Corporation, which developed the analytical software and was responsible for pressing the discs and for physically distributing the product, and Equifax, Inc., which provided the customer data. It was targeted for sale to owners of small businesses, who would not originally have access to such forms of information.

On the same day in April 1990, Lotus also announced **Lotus Marketplace: Business**, a comprehensive database of 7.5 million business establishments. The data were supplied by Trinet, Inc., and included business name, address, telephone number, SIC codes, annual sales, number of employees, names and title of executives, and key contacts. At a list price of \$695, both the business and households' versions of **Lotus Marketplace** were scheduled to be available for purchase from authorized Lotus retail outlets by third quarter 1990. (See *Exhibit 1* for product background information).

During the months following the April 1990 announcement, the **Marketplace: Households** product had come under intense public scrutiny. Privacy concerns about the product were raised during two hearings held before the U.S. House of Representatives. Articles in the local and national press detailed the potential privacy threats from the products. Heated discussions began on several public computer conferencing networks, and an informal electronic grass-roots campaign urged people to protest to Lotus and Equifax, to refuse to be listed in the product, and to complain to their legislators.

Executives from Lotus and Equifax spent much time defending **Marketplace: Households**, arguing that it provided adequate privacy safeguards. Lotus released a statement on a public computer conference arguing that 1) much of the information contained in **Marketplace: Households** could be accessed elsewhere, 2) the product would only be sold to legitimate businesses, 3) individuals could have their names removed from **Marketplace: Households** by writing to Lotus, and 4) the product did not contain telephone numbers.¹

Georgetown University faculty members Mary J. Culnan and H. Jeff Smith prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Unless noted otherwise, this case is based on public information. Permission is granted to reproduce this case solely for noncommercial educational use. This notice must be included on any such reproduction.

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¹ Message from Doug Borchard of Lotus posted on the Computers & Society public computer conference, January 3, 1991.

Both Lotus and Equifax argued that the product would benefit small businesses by making it feasible for them to use target marketing to offer goods and services of potential interest to consumers. The net result to consumers, they asserted, might be “an extra bit of mail.”²

Although the **Lotus MarketPlace: Business** product shipped on schedule in October 1990, the release date for **MarketPlace: Households** was skipped to Spring 1991. As January 1991 dawned, the Lotus/Equifax executives’ arguments seemed to be falling on deaf ears. With a targeted shipment date just two months away and consumer protests received by Lotus and Equifax numbering over 30,000 and growing, it was clear that some additional steps to address the privacy concerns were required.

The Companies³

MarketPlace: Households was a joint venture between Lotus Development Corporation and Equifax, Inc.

Lotus Development Corporation

Founded in 1982 in Cambridge, Massachusetts, Lotus Development Corporation develops, markets, and supports business software. Its first product, Lotus 1-2-3 (a spreadsheet), was the most popular personal computer (PC) software program in the world, with more than 14 million users. Over time, Lotus has developed and marketed other software products, including Agenda (a personalized Information retrieval system), and Symphony (an integrated package that included spreadsheet, word processing, database, and communications applications). Lotus markets its products in more than 65 countries. Its 1990 net income was \$23 million on sales of \$685 million.

In 1986, with several software product successes already under its belt, Lotus announced that it would enter the financial information market. It would begin to sell several databases containing data about stocks and bonds on CD-ROM. With weekly updates to subscribers, the new product would provide access to 20 years of price information about stocks as well as to other services for investment advice and financial statistics.⁴ Most industry observers saw this as a new and important business direction for Lotus.

Equifax, Inc.

Equifax is a leading provider of information for consumer financial transactions. Founded in Atlanta in 1899 as a credit bureau, Equifax serves customers in the United States, Canada, and the Caribbean through more than 1,000 locations. Equifax’s operations are divided along two major lines of business:

- Equifax Credit & Marketing Services provides consumer credit reports, fraud-detection services, account management, market research, statistical modeling, credit marketing, and target market information. Equifax is one of the “Big Three” consumer credit bureaus. Its credit database contains credit histories on more than 150 million Americans.

² Professor Alan Westin quoted in “Peering Into Private Lives,” *Washington Post*, January 20, 1991, p. H6.

³ Much of the information in this section is based on the companies’ annual reports.

⁴ William M. Bulkeley, “Lotus Pioneering Step in Marketing Financial Information on Compact Disks,” *Wall Street Journal*, September 23, 1985, p. A8.

- Equifax Insurance and Special Services provides a growing group of automated information services and systems to major U.S. Insurance companies, mortgage lenders, real estate brokers, and all types of employers.

In addition, Equifax Canada provides Equifax's Canadian customers with most of the services available in the United States. In 1989, the *Wall Street Journal* named Equifax as one of its 56 "Corporate Stars of the Future."

Equifax made a number of acquisitions throughout the late 1980s. Many of these were local credit bureaus acquired as a basis for solidifying its position as a national credit-reporting agency. In July 1988, Equifax acquired National Decision Systems (NDS), which specialized in building databases to support geo-demographic analysis and other market segmentation decisions. At the time of the acquisition, C.B. (Jack) Rogers, Jr., President and Chief Executive Officer of Equifax, stated, "The critical issue for businesses is long-range profitability. As decision-making becomes more and more complex ... all of our activities, including the combining of Equifax's consumer data with NDS's analytical and technical expertise, will enable us to address both marketing and risk decisions, and deliver solutions based on the problem at hand."⁵

The Target Marketing Industry⁶

Target marketing (or direct marketing) involved the use of targeting to deliver a message directly to a selected, identifiable group of customers or prospects; direct or targeted mail was one communication medium used to deliver the message. One goal of target marketing was to generate a measurable response and/or transaction from an identifiable individual. Within the multi-billion-dollar target marketing industry, three sources of information were normally used to generate mailing lists. First, lists were compiled from printed sources such as a public record (motor vehicle records, property records, voter registration list, or telephone directories), directories or membership lists. Second, lists were generated from customer or donor lists, or when individuals returned a rebate form or a warranty card. Typically, these lists were managed by a "list broker" on behalf of the list owner. Finally, lists were sometimes the result of original research, such as a survey. One industry directory, the Standard Rate and Data Service *Direct Mail List Rate and Data*, contained descriptions of more than 50,000 mailing lists available for rental.

Organizations typically used mailing lists in two ways. First, an organization could use their own data to profile their existing customers. The firm used these profiles to identify the demographics and psychographic characteristics of *prospective* customers it wished to target; it then rented mailing lists reflecting these characteristics. Second, to enable better targeting of their *existing* customers, a firm might have asked a list compiler or a list broker to match the firm's customer database against a third-party marketing database. When a match occurred between the two files, new information from the marketing database was added to the customer database for that individual. For example, a firm could have sought to overlay its customer database with the customer's telephone number, estimated income, type of motor vehicle owned, psychographic characteristics, or additional demographic information such as age or family size.

⁵ "Equifax Acquires National Decision Systems," press release, July 1, 1988.

⁶ Much of the information in this section is based on the following sources: 1) Ed Burnett, *The Complete Direct Mail List Handbook*, Prentice Hall, 1988; 2) Ed Burnett, "How Consumer List Overlay Files Have Grown," *DM News*, October 15, 1988, p. 70; 3) Edward L. Nash, Editor, *The Direct Marketing Handbook*, Second Edition, McGraw Hill, 1992; 4) Nat G. Bodian, *NTC's Directory of Direct Mail and Mailing List Terminology and Techniques*, NTC Business Books, 1990.

The Product⁷

MarketPlace: Households resulted from discussions between Lotus and Equifax that took place during the second half of 1988. Initially, the two firms had discussed a marketing analysis tool, which would have been made available to small businesses. The tool would have allowed users to segment populations by a number of geographic/demographic factors. As the discussion progressed, it became apparent that an even stronger product could be developed for small business: A CD-ROM database product, which would also allow the creation of specific mailing lists for target marketing. Early in these discussions, a well-known privacy expert, Dr. Alan Westin of Columbia University, was asked to join the internal task force to examine the privacy implications of the product and to develop privacy safeguards.

The product concept became better refined during 1989 and 1990, as the two companies continued work on the technical aspects of implementation. The names and addresses in the database were derived from Equifax's credit report database. The remaining fields were to be taken from the Equifax Consumer Marketing Database (ECMD). Equifax has been selling mailing list from the ECMD to its large corporate customers since 1988.⁸ These mailing list were often segmented by credit card, level of available spending, and psychographics (see *Exhibit 2* for an overview of the data flows).

Compared to the mailing lists being sold to large corporate customers, the *MarketPlace: Households* database contained a relatively Spartan amount of actual information with regard to specific individuals. In addition to name and address, the **MarketPlace: Households** disk included the following:

- Geographic Information (zip, Standard Metropolitan Statistical Area, and dwelling type), derived from U.S. Postal Service tapes, which were readily available. Dwelling type was identified by the Postal Service as either single-family, multi-family, or business.
- Gender was inferred from an Equifax-developed "name table" which categorized over 4,500 common first names as male, female, or "unknown."
- Age was to be reported in ranges. Age data were taken from publicly available sources such as voter registration records and, in roughly half the states, drivers' license records. Additionally, Equifax purchased age data from vendors who extracted the data from these sources.
- Marital status reflected what credit grantors reported to Equifax. For example, an individual whose credit report showed only individual accounts would be listed as "single" on the **MarketPlace: Households** disk.
- Income was modeled by computer, based on self-reported incomes from a survey of consumers, extrapolated across the population within the same zip + 4 area. The income range was assumed to be the same for each household within the area. Equifax did not maintain records on actual incomes of individuals.

⁷ Some of the information in this section is based on testimony by John A. Baker, Senior Vice President of Equifax, Inc., during a hearing on public and corporate attitudes on privacy, Subcommittee on Information, Justice & Agriculture, Government Operations Committee, U.S. House of Representatives, April 10, 1991.

⁸ "New Equifax Database Fuels Privacy Debate." *DM News*, August 15, 1988, p. 1.

- “Neighborhood lifestyle” consisted of one of 50 categories developed in a proprietary Equifax modeling product, MicroVision. Based on Census Bureau information, every address in the country was assigned to one of the 50 categories such as “Lap of “Luxury,” “Movers and Shakers,” or “White Picket Fence.”

Privacy Concerns

As the product definition and development progressed, Westin performed a “privacy audit” of the prototype product and proposed a number of controls to address privacy concerns regarding data security and access. In addition, Equifax conducted eight focus groups in various U.S. cities with a representative sample of consumers, who provided input on privacy concerns for incorporation into the product design. Armed with this additional information, the Lotus/Equifax executives developed a set of privacy principles and protection mechanisms, which were widely distributed (see excerpts in *Exhibit 3*).

During fall 1990, the prototype product was demonstrated or explained to privacy groups, the media, and consumer groups. Lotus and Equifax contracted with a third party to test the security of the data encryption scheme. Within the two firms, agreement was reached to build into the contract with business users of **MarketPlace: Households** a serious warning that the firm would aggressively seek penalties and sue users for damages to their respective corporate reputations resulting from any misuse of the product. Internal discussions focused on the need for greater public awareness of the “opt-out” provisions, which allowed customers to request that they not be included on the disks.

General privacy concerns: media and legislative

During this same time period, information privacy issues began to receive extensive coverage in the media and scrutiny from Congress. *Business Week* ran a cover story on privacy on September 4, 1989. Subsequently, many newspapers throughout the country followed suit. Privacy issues also received coverage on a number of television programs. Two Congressional hearings on the Fair Credit Reporting Act (FCRA)⁹ were held in October 1989 and June 1990. While the FCRA included a provision that allowed the use of credit report data for any legitimate business provision involving the consumer, some members of Congress questioned the legitimacy of the use of credit report data for transactions which were not initiated by the consumer, such as the use of credit report data for prescreening consumers for offers of credit, or for target marketing.

In early 1990, as media and legislative attention to privacy increased, Equifax commissioned Westin and Louis Harris & Associates to conduct a national public opinion survey regarding information privacy. Some of the results of the Equifax Survey are highlighted in *Exhibit 4*. In June 1990, Westin presented the survey results to the public in Washington, D.C. at a major conference on consumer privacy co-sponsored by the National Consumers League and the White House Office of Consumer Affairs.

The product under attack

Specific privacy concerns about **Marketplace: Households** were raised in May 1990, one month after the product’s announcement. Computer Professionals for Social Responsibility (CPSR), a public interest organization, voiced objections to **Marketplace: Households** before a House of Representatives Government Operations Subcommittee hearing on “Data Protection, Computers, and Changing Information Practices.”¹⁰ An article published in the *Privacy Times*, a newsletter covering privacy issues,

⁹ See the Harvard Business School Publication, “Note on the Credit Bureau Industry and the Fair Credit Reporting Act (FCRA),” 190-444 for additional background information.

¹⁰ Testimony and Statement of Computer Professionals for Social Responsibility, Subcommittee on Government Information, Justice and Agriculture, Government Operations Committee, U.S. House of Representatives, May 16, 1990.

reported that Lotus/Equifax had no plans to notify individuals or inform the public that the service would be marketing data about them and correct any inaccuracies.¹¹ Equifax went on to state, “this information [In MarketPlace] generally consist of aggregate data that places individuals in a marketing category. It is not confidential information.... Information on individuals is neither reviewable nor retrievable by the individual’s name.” However, consumers could “opt out” of the system by contacting either Equifax or the Direct Marketing Association (DMA).¹²

A few months later, the general public became more widely aware of **MarketPlace: Households** after the *Wall Street Journal* ran a story in November 1990.¹³ Marc Rotenberg, Director of CPSR’s Washington Office and a privacy advocate, was quoted as saying; “They’ve crossed the line.... It simply shouldn’t be allowed on the market.” A Lotus executive argued that the product “lowered the bar” for owners of small businesses who wanted to use targeted direct mail, but could not afford to rent conventional lists. “What’s the harm in that? Lots of people like to get mail,” he continued. This article was noted or posted in its entirety on a number of public computer conferences. In at least one instance, the article was forwarded to a public conference from a computer conferencing system within a large corporation in the computer industry. The electronic mail address for Jim Manzi, the chief executive Officer (CEO) of Lotus, was disseminated across the network with a call for people seeing the message to write to Manzi and express their concerns. In December, one message circulated on at least three public computer conferences included an open letter to Lotus, which said in part:

In conclusion, if you market this product, it is my sincere hope that you are sued by every person for whom your data is [sic] false, with the eventual result that your company goes bankrupt. This would be a pity, since you make many fine products.... It would be better if your chief officers went to jail, but that would apparently require new laws to be passed. If you persist in your plans to market this product, a lot o people will be pushing to make that happen. I suggest that you abandon this project while there is time to do so.

(See *Exhibit 6* for examples of messages from these conferences.)

Reaching a Critical Juncture

With the rescheduled release date for **MarketPlace: Households** rapidly approaching, public concerns regarding the product were reaching epic proportions. With consumer “defections” from the database mounting daily, it was no longer clear that the initial concept for the product was still viable. The privacy debates assumed a rancorous tone. CPSR released a press release formally opposing **MarketPlace: Households**.¹⁴ By mid-January 1991, it was reported that Lotus had been “barraged by some 30,000 callers and letter-writers who believe[d] the product [was] a clear invasion of their privacy and [didn’t] want their names included in its data based.”¹⁵

Internal discussions continued between Lotus and Equifax. Each firm had made their own initial projections of investment and return. What became clear was that the additional investments required to address the growing privacy concerns and the heightened of consumer concerns were making return-on-investment (ROI) calculations more and more speculative. Observers could only wonder what steps, if any, could be taken to stem the tide of privacy concerns.

¹¹ “New Equifax/Lotus Database Covers 80 Million Homes, 7 Million Firms,” *Privacy Times*, Vol. 10, No. 9, May 9, 1990.

¹² The DMA was an industry association for direct marketers. It had developed its own set of ethical principles; excerpts are reproduced in *Exhibit 5*.

¹³ John R. Wilke, “Lotus Products Spurs Fears About Privacy,” *The Wall Street Journal*, November 13, 1990, B1.

¹⁴ “CPSR Opposes Lotus MarketPlace,” Press Release of Computer Professionals for Social Responsibility, January 15, 1991.

¹⁵ Daniel Mendel-Black and Evelyn Richards, “Peering Into Private Lives,” *Washington Post*, January 20, 1991, pp. H1, H5.

Exhibit 1 Product Background Information

Lotus issued the following descriptions of typical applications for the business and households versions of Lotus MarketPlace:

Lotus MarketPlace combines CD-ROM databases of names, addresses and marketing information on 7.5 million U.S. business and 80 million U.S. households with target marketing software. Business professionals can tailor Lotus MarketPlace to help them in a wide range of sales and marketing activities, including:

- Direct marketing and prospecting
 - Expanding into new geographic markets
 - Targeting new customer bases
 - Introducing a new product or product lines
 - Announcing a new promotion
- Market research and analysis
 - Defining the potential of a new market
 - Test marketing a new product concept
 - Sampling a base of potential customers
 - Conducting a market study or survey
- Site/franchise planning or selection
 - Expanding facilities for customer sales and service
 - Assessing market potential based on the competitive situation
 - Determining franchise placement and market potential
- Sales territory analysis
 - Segmenting and defining territories for sales representatives
 - Determining representatives' quotas based on market size
 - Quantifying budgets and resource allocations

A personal financial planner in Dallas wants to expand her business. She's just created a brochure outlining her services and would like to distribute it, with a personalized letter, to people who might buy her services. For the first mailing, she wants to target affluent professionals in the greater Dallas area. **Lotus MarketPlace: Households** helps her develop a list of the most likely prospects. She first identifies the characteristics of her target customer by selecting a series of criteria, including:

- Location – Greater Dallas only
- Age – 35-49
- Income -- \$50,000+
- Lifestyle – upwardly mobile, success-driven people

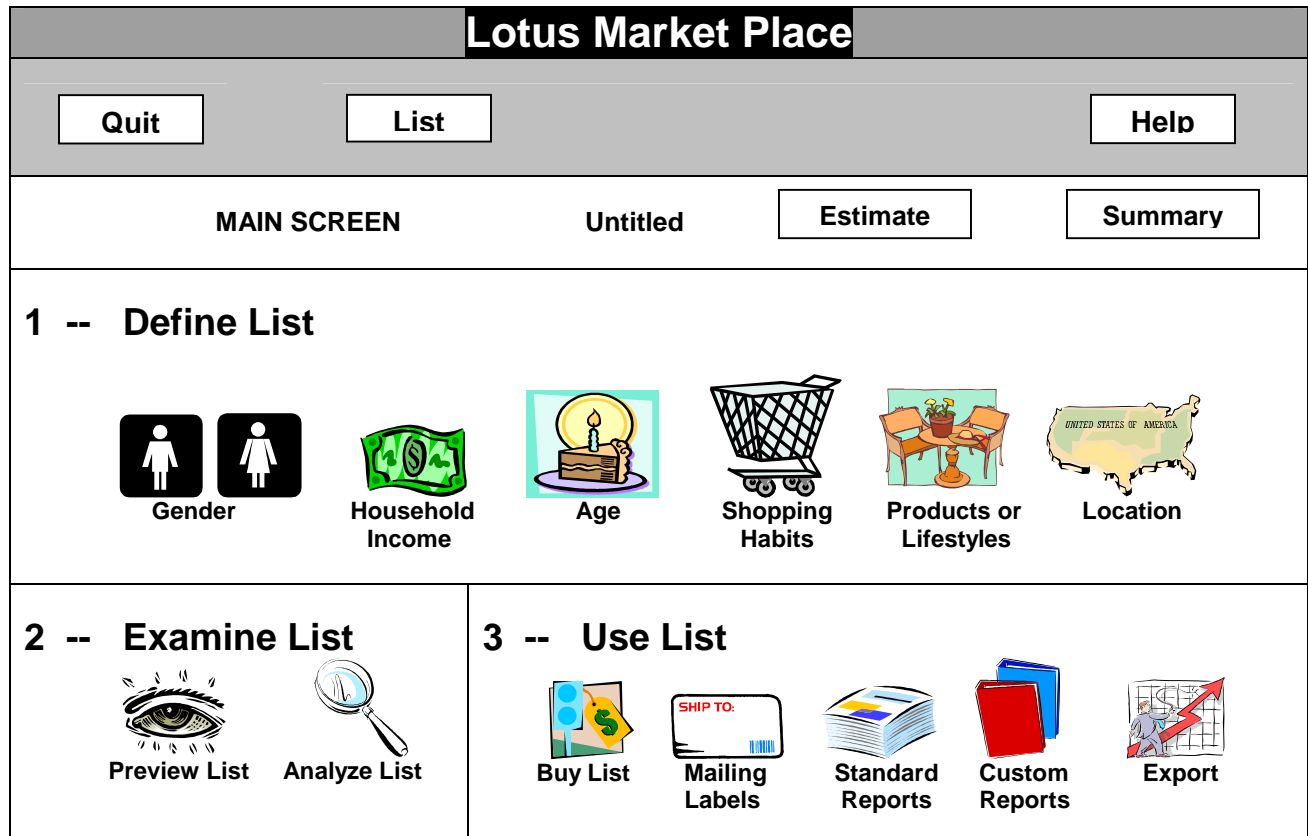
Satisfied that these criteria describe her best prospects, she then creates the list for viewing. More than 700 names and addresses appear on the screen.

After examining the list, she decides that 700 is too large for her initial mailing – it would be impossible for her to do fast follow-up. She decides to buy a smaller sample of 140 names – 20 percent of the list – to start. She also buys the larger list for future use.¹⁶

¹⁶ **MarketPlace: Households** operated like a postage meter. When the user purchased the system, it came with an initial allotment of 5,000 names from the database. Each time a list was "purchased," the number of names on the list was charged against the individual's allotment. More names could be purchased for an additional charge. Unlike traditional mailing list practices, which typically restrict a list to one-time usage, **MarketPlace: Households** allowed the user to make unlimited use of any lists they had purchased. In addition, the list could be exported for use by other applications.

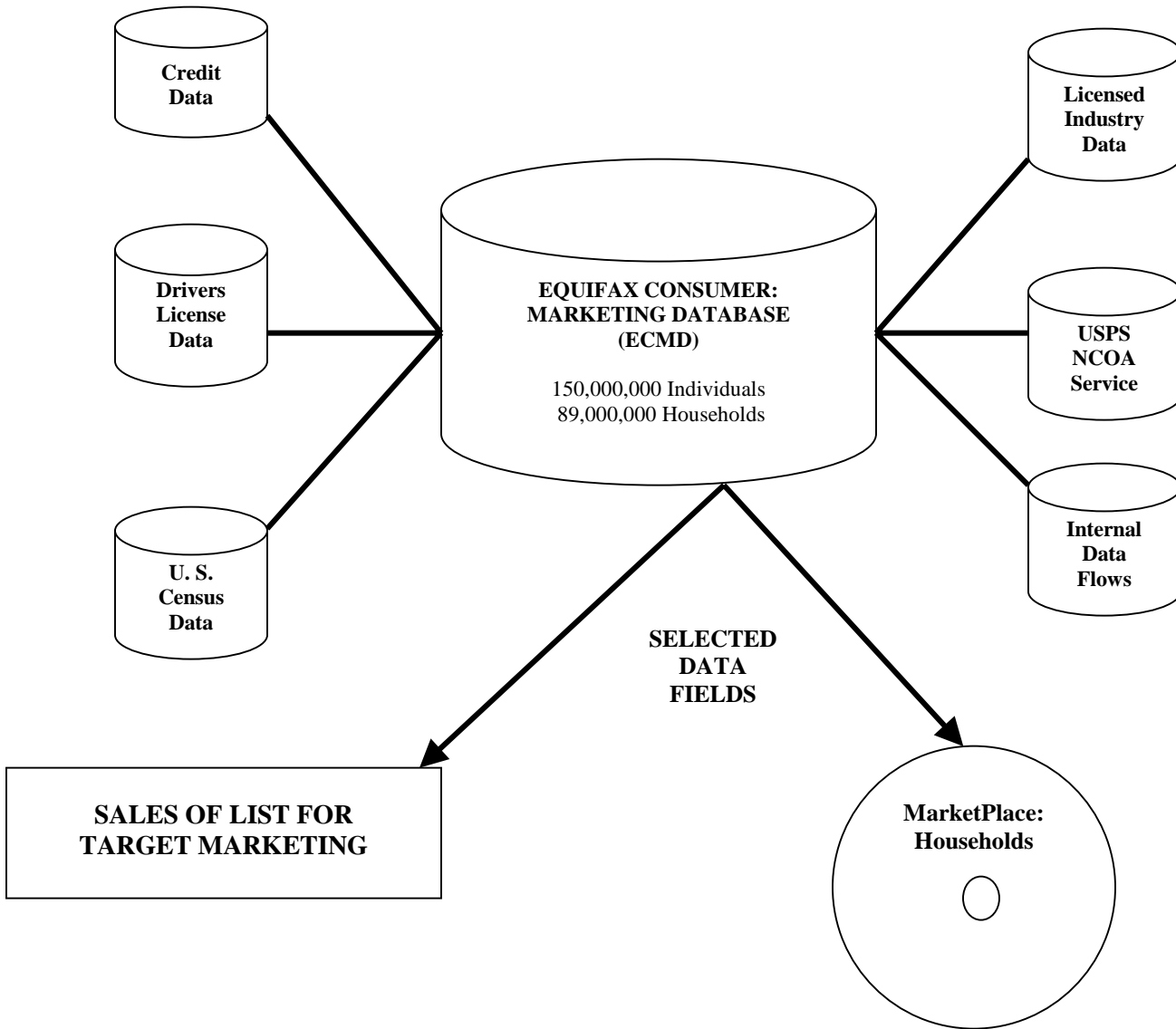
Although she intends to use the shorter list to mail her brochure, she can use both lists again. She exports both lists to a database, and moves the shorter list to a word processing package, where the names can be merged with a template to create personalized cover letters and mailing labels. To assist her in follow-up on her mailing, she uses **Lotus MarketPlace: Households** to create a sales follow-up report and an individual prospect report form.

Source: Lotus Backgrounder, Lotus Development Corporation, April 1990.



Source: Lotus Development Corporation

**Exhibit 2
Data Flows**



Equifax Consumer Marketing Database (ECMD) contained over 400 variables including demographic, geodemographic, consumer-specific psychographic, financial, direct mail response, and household family structure information. As shown above, information in this database came from several sources. Of particular note were:

- Credit data. Since Equifax was one of the nation's largest credit bureaus, it had credit histories on more than 150 million Americans. These files contained identifying information such as name and address (present and former); social security number, birth date, and employer. They also contained records for credit relationships established by the individual; such records included the name of the merchant/lender, the type of account (e.g., credit card); the credit line and/or amount owed on the account; and the payment history on the account. In addition, information from public records (e.g., liens, bankruptcies) might be included. The credit files were not copied, per se, into the ECMD. However, some elements in the

ECMD were extracted from the credit files, usually in a systemized form. These included, for example, a credit card activity index (how actively revolving credit accounts were used; high, above average, average, below average, or low) and "flags."

- Licensed Industry Data. Through licensing agreements with other industry sources, ECMD included direct marketing information such as mail order responsiveness, children's data, etc.
- United States Postal Service (USPS) National Change of Address (NCOA) service. Through an arrangement with the U.S. Postal Service, addresses were updated by matching records in the ECMD with a file containing information from change-of-address cards filed by individuals at their local post office.
- Internal data flows. Equifax also provided several state-of-the-art models, which utilized other data to create statistical partitions of individuals in various categories. For example, the "Shopping Psychographics" model applied mathematical modeling techniques to purchasing data to derive distinct types of shoppers, including "prestige shoppers," "coupon clippers," "lower middle America shoppers," "value conscious shoppers," etc. Other indices included the "Purchasing Power Index," which modeled a relative level of spending power for each customer and the "MicroVision" micro-geographical consumer targeting system, based on individual and census data, that modeled individuals at the "Zip + 4" level.

Equifax offered several mailing list products from the ECMD, which were normally purchased by large corporate customers. These products included:

- "Credit Cardholders Hotline." Active customers who had shown credit activity within the past 30 days.
- "In-Transit Movers Hotline." Individuals who had recently moved.
- "Hispanic Power Buyers." Individuals of Spanish origin. Equifax marketing literature noted, "more than half of these affluent, credit-active buyers are above the median Hispanic income level."
- "Caribbean file." Individuals in the U.S. Virgin Islands and Puerto Rico.
- "Super Seniors." A list of over three million active seniors (50+ and 65+).
- "Lifecycle Buyers." Individuals who had the profile of the consumers who were the most active buyers. The list contained three groups: buyers entering the market for the first time; middle-aged "affluents" cashing in on their success; and the "pre-retirement affluents" who were actively acquiring in preparation for retirement.

Both TRW and Trans-Union, Equifax's primary competitors in the credit report industry, also maintained similar marketing databases which were used to generate mailing lists for use in target marketing by their large corporate customers. Only a small subset of the available fields from the ECMD were to be included on the **MarketPlace: Households** CD-ROM disk.

Sources: Equifax marketing documents; testimony of John A. Baker, Senior Vice President, Equifax, Inc. before the Subcommittee on Government Information, Justice and Agriculture, Government Operations Committee, U.S. House of Representatives, April 10, 1991.

Exhibit 3
Privacy Principles and Protection Mechanisms

Lotus and Equifax disseminated the following Privacy Principles as part of a booklet describing consumer privacy protection and **Lotus MarketPlace: Households**:

“An Integral part of **Lotus MarketPlace: Households**’ development was a set of Privacy Principles written and incorporated into the initial product plans. It constitutes the basis of the product.

1) Equifax and Lotus believe that organizations in the information industry have a responsibility to protect the privacy rights of consumers.

2) At the same time, consumers want opportunities to learn about new products and services, and to exercise their options to buy or not buy those offerings.

3) Some consumers may be concerned when their names and addresses are forwarded to mailing list compilers and brokers. Providing a well-publicized and practical procedure for meeting these concerns is a privacy protection obligation of responsible companies, and Equifax and Lotus accept this obligation.

4) Direct marketing involves the use of information from many sources. It is our objective to increase levels of consumer participation, including the consumer’s ability to express the desire not to receive information generated by Lotus MarketPlace or other direct marketing products.

5) Information companies have a responsibility to guard against misuse of mailing lists they compile, sell, or use for purposed that will be offensive, distasteful or misleading to many consumers. They also, however, have a duty not to become censors of what are acceptable or unacceptable messages for responsible business advertisers, publications, or non-profit organizations to put forward in our society – except in clear and well-defined instances, including fraudulent or misrepresented offers.”

Source: Consumer Privacy Protection: Lotus MarketPlace: Households, November 1990, booklet supplies by Equifax, Inc.

Exhibit 4

Summary of Findings from Privacy Survey

Equifax distributed the following summary of the results of the national privacy survey conducted by Louis Harris and Associates and Professor Alan F. Westin. The survey questions covered a wide range of issues. The results related to the information privacy are summarized here:

- The American public expresses widespread concern with threats to personal privacy in America today. Nearly four Americans in five (79%) express general concern about threats to personal privacy ... Most business executives share this public concern.
- Americans express growing concern over having to reveal personal information. Three in ten Americans today have decided not to apply for a job, credit, or insurance because they did not want to provide certain kinds of information about themselves.
- The American people regard privacy as a fundamental right and are not satisfied with the way some organizations currently collect and use information about individuals. By a 71-27% margin, Americans agree that consumers have lost all control over how personal information about them is circulated and used by companies.
- Despite the concern expressed over having to reveal personal information, Americans admit they would be upset if they were denied the opportunities, which are only made possible through the collection and use of personal information. More than three out of four Americans (78%) say they would be upset if they could not obtain credit based upon their record of paying bills. When looking at people's responses by age, sex, race, and level of education, at least 70% in every demographic grouping say they would be upset.
- Consumer attitudes about direct marketers' use of information about individual consumers depend on how Americans perceive their relationship with direct marketers. When consumers are made aware of various protective measures that are currently used or could be applied by list-making companies, and of the benefits consumers enjoy, very large majorities of the public approve direct marketers' use of information about individual consumers. When the relationship between direct marketers and consumers is presented in a way that stresses only the advantage to the direct marketers, a 69-28% majority of Americans oppose direct marketers being able to buy from list-making companies information about their own consumer characteristics. However, when the relationship between direct marketers and consumers is presented in a way that stresses the benefits to both, a 67-31% majority of Americans find it acceptable for direct marketers to buy names and addresses of people in certain age groups, income groups and residential areas.

Source: Executive Summary, *The Equifax Report on Consumers in the Information Age*, 1990, available from Equifax, Inc., Atlanta, Georgia.

Exhibit 5
Direct Marketing Association (DMA)'s Guidelines for Privacy

The following statements are excerpts from the DMA's voluntary guidelines for its members regarding the protection of personal information:

"Because it is believed that a concern for everyone's privacy with respect to truly personal information is a basis for good business practices, within direct response marketing, observance of these Guidelines by all concerned is recommended.

The Direct Marketing Association recognizes the need for businesses to protect the personal privacy of individuals and their need to provide safeguards for the proper handling of personal data contained in data files. DMA strongly believes that good business practices require respect for such expectations of the individual.

Accordingly, DMA recommends the following Guidelines for the handling of personal data in data files.

Article 1. Personal data should be collected by fair and lawful means for a direct marketing purpose.

Article 2. Direct marketers should limit the collection of personal data to only those data, which are deemed pertinent and necessary for direct marketing purposes and should only be used accordingly.

Article 3. Personal data, which are used for direct marketing purposes, should be accurate, complete, and should be kept up to date to the extent practicable by the direct marketer. Personal data should be retained no longer than is required for the purpose for which they are stored.

Article 4. An individual shall have the right to request whether personal data about him/her appear on a direct marketer's file and to receive a summary of the information within a reasonable time after the request is made. An individual has the right to challenge the accuracy of personal data relating to him/her. Personal data, which are shown to be incorrect, should be corrected.

Article 5. Personal data should be transferred between direct marketers only for direct marketing purposes. Every list owner who sells, exchanges or rents lists containing personal data should see to it that each individual on the list is informed of those practices (Self Disclosure), and should offer an option to have the individual's name deleted. The list owner should remove names from his/her list when requested directly in a signed writing by the individual, or by use of the DMA Mail Preference Service name removal service.

Article 6. All list owners, brokers, and compilers should be protective of the individual's right to privacy and sensitive to the information collected on list and subsequently considered for transfer.

Personal information supplied by individuals such as, but not limited to, medical, financial, insurance or court data should not be included on lists that are rented or exchanged when there is a reasonable expectation by the individual that the information would be kept confidential."

Source: Direct Marketing Association Guidelines for Personal Information Protection, brochure available from the DMA.

Exhibit 6
Sample Messages from Computer Conferences

Sample Message 1.¹⁷

SUBJECT: National Lotus Database

*** The following has been extracted from several lengthy notes on the
 *** subject. The notes originated from [source] through the [title]
 *** forum database.

Lotus Development Corporation has a new product due out in 1991, called "Household MarketPlace [sic]." It is a database on CD-ROM. It has the estimated income and a profile of the buying habits of 120 million U.S. residents. This is a high percentage of the U.S. population – the odds are very good that you are in the Lotus database.

A Lotus spokesman has said that the company is concerned about privacy issues, so to help prevent misuse of the data, only legitimate businesses can get the disk. With easy access to a printed and/or FAX machine, however, it is hard to see how Lotus can control distribution beyond their direct customers. The cost is under \$1,000 with quarterly updates available.

The database does not contain any of the data covered by the Fair Credit Practices Act [sic], so Lotus is under no legal obligation to let you see what they are saying about you. In fact, during interviews, they have said that there is no way for an individuals to review their personal data, nor are there any provisions to make corrections on what is recorded.

Lotus will remove anyone from the database who writes or calls them. It is recommended that letters be sent to Senators and Congressmen also to insure that this product is removed from the market.

Contact: Lotus Development Corporation

Sample Message 2:

The following *satirical* "product announcement" was part of an electronic newsletter distributed by the Portland, Oregon chapter of Computer Professionals for Social Responsibility (CPSR), a public interest organization:

Lotus Introduced Controversial New Product

Today, Lotus Development Corporation introduced a new member of its MarketPlace product family, MarketPlace: Surveillance. This product, intended for "law enforcement, security, and just plain nosey organizations," ushers in the era of what Lotus spoke spooks Bud Dorkar called "Desktop Political Repression." "Any company can put citizens at their fingertips; Dorkar continued, "only Lotus puts them in the palm of your hand."

¹⁷ Text of message posted on an international computer conference in a Fortune 500 company. Provided by an employee of the company.

The product consists of a CD-ROM and software to read it. The CD-ROM contains information on individuals, including:

- Name
- Social security number
- Address
- Phone number
- Estimated income
- Estimated political and organization affiliations
- Marital status
- Name of spouse, if any
- Name of children, if any
- Names of pets, if any
- Names of other household members
- Known associates
- Gender
- Estimated sexual orientation
- Estimated race
- Criminal record, if any
- Magazine subscriptions
- Library books checked out recently
- Cars and boats owned
- Driving record
- Fingerprints, if available
- Favorite color
- One thing in the whole world most afraid of
- Comments by previous investigators

Users can select potential investigation subjects via a variety of selection criteria, such as "all married environmentalists within an hour's drive of Chicago." The selected records are then copied to hard disk from the CD-ROM. As an investigation proceeds, new information can be added to records, and the user can even create new fields in the data record.

Every copy of MarketPlace: Surveillance comes with demonstration data, based on 1930s KGB files. "We used the Russian data, frankly, because it was so cheap," said Dorkar. "They sold us this old data for a thousand names to the dollar. Of course, this data doesn't have much value anyway, most of the people in the database were purged long ago."

After the user purchases MarketPlace: Surveillance, they send in the registration form for real data. They then have the demo data to play with and fantasize about, while their real data is on its way. The user must specify what region of the U.S. or other country they want data for. Each disk contains data on approximately 12 million citizens, legal aliens, and other people. One region comes free with the program, and others may be purchased for \$100 each. "We have the U.S., most of Central and South America, and several Asian countries available," Dorkar said. "We will try to introduce Africa and the Middle East in time for Christmas. We hope to bring one or two of the Canadian provinces on board too. Hopefully, the EC (European Common Market) will be in some day, but that's at least two years out, they're just not ready...."

To remove their names from the database, people need only call Lotus at 1-800-XXX-XXXX, and give a Lotus operation their name, date of birth, social security number, and why they don't want to be in the database. The Lotus operator will then roll two dice to determine which of 25 complex and expensive methods the person will be required to use to be removed from the database. An exception is if the operator rolls doubles. In that case, the operator will take all of the information over the phone, then send two guys with baseball bats to visit your house within three business days.

Dorkar concluded by vociferously defending MarketPlace: Surveillance, spittle flying from his lips: "Some people argue that the information collected in Lotus MarketPlace: Surveillance should not be available. However, this information is really already really readily readable, either as a matter of public record or through thousands of other lists and database sources. For example, the FBI alone has files on literally millions of Americans."

"Access to information is one of the benefits of a free society. In developing MarketPlace: Surveillance, Lotus and its data providers have strived to balance freedom of information that is a hallmark of our society."

Source: Computer Professionals for Social Responsibility, Portland Chapter, Newsletter, Vol. 4, #6, 1991.

Exhibit 7

Lotus MarketPlace Database Structure

Data Element	Source	Inferred or Actual?
Name & Address	Credit Report	Actual
Dwelling Type/SMSA	USPS (public info)	Actual
Gender	Name Table	Inferred
Age (ranges)	Public info (voter registration or drivers license) or purchased	Actual (range)
Marital Status	Credit Report (type of accounts, Joint or Individual)	Inferred from actual data
Income	Consumer Survey	Inferred
Neighborhood Lifestyle	Census data (public info)	Inferred

Comparison between Mailing List Broker and Lotus MarkePlace Approaches

Lotus MarketPlace (Distributed)	List Broker (Centralized) – Tom Thumb, e.g.
Buy at computer store, get actual data from Lotus (check out if legitimate business)	Place order with list broker, submit sample mailing pieces(s)
Buyer owns data	Broker owns data
Buyer builds list; seeding/monitoring more problematic	Broker builds codes; seeds list with dummy names prior to rental (control for illegitimate use of list)
List available for unlimited use; names can be exported to database	Use restricted and monitoring by broker through seeding of list with dummy names
Security: Encryption	Security: no on-line or other direct user access by end-user
Can't remove names after CD-ROM is distributed if people want to "opt out"	Can remove names at any time (e.g., to honor request to "opt out")
No provision for correction of errors except for up-dates	Errors can be corrected
Can add more fields after exporting (e.g. match to phone numbers)	Can add more fields or merge with other fields.