

Privacy Concerns in Consumer E-commerce Activities and Response to Social Media Advertising¹

Tekin Köse

TED University, Türkiye
tekin.kose@tedu.edu.tr

Aras Alkış

TED University, Türkiye
aras.alkis@tedu.edu.tr

Abstract

This research quantifies how privacy concerns and consumer characteristics are associated with e-commerce participation and consumer response to social media advertising by accounting for both individual-level and country-level covariates. Current research study uniquely analyzes a rich micro-level data set that includes responses of about 150,000 individuals from 29 European countries. Through multilevel logit modeling, authors account for the country nested structure of consumer behavior and report odds ratios for relations between privacy measures and online demand of consumers in Europe. Privacy risk knowledge and online information sharing levels are positively correlated with probability of e-commerce participation. Odds of e-commerce participation are negatively associated with level of concern on online activity recordings. Consumers who take more protective actions against online privacy risks are more likely to participate in e-commerce and make purchase in response to social media advertisements. This research employs cross-sectional survey data and a correlational analysis. Future studies may focus on panel data utilization and exploration of causality dynamics. Firms that offer credible tools to help consumers protect their online privacy can benefit from increased e-commerce participation and higher effectiveness in social media advertising. Representative sampling in data collection offers external validity and generalizability of findings to the European market, which is unique for this study and an empirical contribution.

Keywords: Online privacy risks; E-commerce participation; Advertising effectiveness; Social media marketing; Multi-level logit model

JEL Codes: M31, M37, D18

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