

Beyond Mere Compliance – Delighting Customers by Implementing Data Privacy Measures?

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Abstract. The importance of customer data for business models is increasing, as is the relevance of customers' concerns regarding privacy aspects. To prevent data privacy incidents and to mitigate the associated risks, companies need to implement appropriate measures. Furthermore, it is unclear whether their implementation – beyond mere compliance – has the potential to actually delight customers and yields competitive advantages. In this paper, we derive specific measures to deal with customers' data privacy concerns based on the literature, legislative texts, and expert interviews. Next, we leverage the Kano model via an Internet-based survey to analyze the measures' evaluation by customers. As a result, most measures are considered basic needs of must-be quality. Their implementation is obligatory and is not rewarded by customers. However, delighters of attractive quality do exist and have the potential to create a competitive advantage.

Keywords: Data Privacy, Customer Satisfaction, Kano Model

1 Introduction

With the growing amount of data generated worldwide, digital business models emerge that are based on insights gained from customer data [1-2]. At the same time, trust in data privacy is becoming more relevant for customers [3-4], which is amplified by several data privacy scandals in the recent past. Examples range from Ashley Madison, an online dating portal that lost user data of 37 million registered married men and women to the public, to Apple, which was accused of collecting location data on iPhones and iPads without authorization from and without notifying their customers, to Facebook, which was discovered to be collecting data from user profiles and transmitting these data to advertising companies and others. For companies, such publicly exploited scandals cause economic damage [5-6] and competitive disadvantages in brand image and customer satisfaction. Thus, companies that perform well in improving data privacy could increase customer satisfaction and gain a competitive advantage. For instance, companies such as DuckDuckGo or Silent Circle already try to differentiate themselves by providing privacy friendly services [7]. However, for many companies, it is often unclear how to manage data privacy, which is viewed as a necessary evil. As such, data privacy limits the opportunities to gain

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valuable customer insights, and its implementation binds valuable resources. In addition to that downside perspective, for integrated management of data privacy, an upside perspective is also necessary. Moreover, practitioners should be aware of specific available data privacy measures that enable their companies to differentiate themselves from their competitors.

In the literature, data privacy management is mostly seen from a downside perspective that focuses on risk management. For instance, Buhl [8] state that data privacy measures should be implemented only if the risk-reducing effects outweigh the related costs. Acquisti et al. [5] link a company's privacy incidents to the negative impacts on its market value. Only to a small extent does the literature consider an upside perspective on data privacy, such as Preibusch et al. [4], who found that customers of privacy-friendly but more expensive firms are more satisfied than customers of cheaper but privacy-unfriendly firms. Even so, specific data privacy measures that might be implemented to increase customer satisfaction are yet to be considered in the literature. Thus, we investigate the following research question: Can companies delight customers by implementing specific data privacy measures?

To answer this research question, we firstly develop an overview of data privacy measures by investigating and consolidating the literature, legislative texts, and findings from expert interviews. Secondly, using the Kano model, we evaluate customers' perception of these different measures, that is, whether different measures are considered "must-be," "one-dimensional," or "attractive," or whether customers are "indifferent." Thereby, this paper is organized as follows. We discuss the context of the problem and related work. Using this discussion, we outline our methodical approach, derive measures that can be taken by companies to address data privacy concerns, and analyze customers' perceptions of these measures on the basis of the results of a survey. The conclusion summarizes the results, addresses limitations, and discusses areas of possible future research.

2 Problem Context

As previously motivated, public attention to data privacy issues is growing. This attention is reflected in different scientific disciplines, such as philosophy, psychology, economics, marketing, law, and information systems [9-10]. Moreover, privacy incidents, such as the scandals previously mentioned, are the subject of research projects (e.g., [5], [11-14]). Privacy incidents appear regularly and have consequences for both companies and customers. They are defined by Acquisti et al. [5] as events "involving misuses of individuals' personal information." Consequently, customers might become victims of fraud or identity theft [5]. Typical customers' data privacy concerns are composed by Smith et al. [15], namely, Data Collection or Combination, Internal and External Secondary Usage, Errors, Improper Access, and Reduced Judgement. The literature provides recommendations for customers and public authorities responsible for protecting customers' privacy rights through laws and regulations [16-17]. From a company perspective, privacy incidents may be caused by technical, managerial, organizational, or human failures [5]. Companies might suffer

direct economic damage, such as punishment by penalties or loss of market value, as well as indirect effects, such as increasing insurance fees or decreasing customer satisfaction [5], [11].

Consequently, companies must decide on how to deal with data privacy issues and the related risks. In line with that issue, articles that address companies' handling of data privacy focus on potential threats and how to avoid their occurrence. Conversely, only a limited set of articles considers data privacy measures as an opportunity to create a competitive advantage. For instance, Preibusch et al. [4] show that appropriate management of data privacy issues may have positive implications on customer satisfaction, whereas Sarathy and Robertson [18] provide a framework that assists companies in implementing a data privacy strategy that considers ethical aspects. However, neither article provides recommendations for specific data privacy measures that can be implemented to address customers' data privacy concerns and increase customer satisfaction.

Hence, to the best of our knowledge, using data privacy to delight customers to gain a competitive advantage has yet to be comprehensively examined. More precisely, the literature has yet to provide insights into addressing customers' different privacy concerns using concrete measures and the extent to which such measures affect customer satisfaction. Thus, we raise the research question of whether companies can delight customers by implementing specific data privacy measures.

3 Research Method

To answer the research question, we firstly need to structure the field of possible data privacy measures. Accordingly, this section starts with outlining the identification process of possible data privacy measures. After a short discussion of models that intend to measure customer satisfaction, we describe how we used the Kano model to evaluate customers' perceptions regarding different data privacy measures. The third part of this section describes the design and participants of an online survey used to collect customers' evaluations.

3.1 Identification of Data Privacy Measures

As a basis for identifying data privacy measures, we conducted a comprehensive search for relevant statements, that is, any piece of information on any type of action that addresses customers' data privacy concerns. Therefore, our sources are legislative texts in particular (European General Data Protection Regulation, Bundesdatenschutzgesetz, Telemediengesetz), but also scientific and practitioner-oriented literature found in the databases Springerlink, AISeL, ProQuest, ScienceDirect, EBSCO host, and JSTOR without timeframe limitation and including back-forward search. However, we find that literature does only address data privacy measures to a very small extent. Thus, despite having found 31 relevant papers dealing with managing data privacy in terms of data privacy measures, only two papers contain statements relevant for deriving feasible data privacy measures. Additionally, we conducted three expert interviews, each lasting

approximately 30 to 60 minutes and being divided in two parts. The first part was a free talk with the goal of gaining new insights. In particular, this part was used to identify additional statements regarding data privacy measures. In the second part, already identified statements from other sources were evaluated by the interviewee. All statements were then grouped by semantic similarity. In doing so, all authors jointly decided on the grouping of the statements. Without having pre-defined groups, each statement was either used to create a new group with a particular data privacy measure or mapped to an existing group. As a result, all groups consisted of one or several statements regarding a particular data privacy measure. From each of the groups of statements, we derived a single measure that addresses all statements within the group. After the formulation of the measures, we assigned each of the measures to one or more specific customer data privacy concerns.

3.2 Kano Model

After the derivation of data privacy measures and their assignment to specific data privacy concerns, we now focus on determining their effect on customer satisfaction. Approaches to measuring customer satisfaction can be differentiated into subjective and objective methods. The latter can be further distinguished between event-oriented, problem-oriented, and attribute-oriented techniques [19]. As our research focusses on service attributes (measures), we focus on attribute-oriented techniques. In this context, the most commonly used method to measure service quality is SERVQUAL [20-21], but also structural equation modelling and neural networks [22] are viable options. Bartikowski and Llosa [23] analyze further methods, namely Penalty Reward Contrast Analysis, Correspondence Analysis, Dual Importance Mapping, and the Simulation Method. The context at hand requires the possibility of individual investigation of each measure and applicability to hypothetical cases. These criteria are only fulfilled by the Simulation Method, which is most prominently represented by Kano [23]. Accordingly, we use the Kano model to determine customers' evaluation of the identified data privacy measures. The Kano model has been discussed and applied in many theoretical and empirical research projects [24-25], as it provides a comprehensible presentation of attributes of products or services which influence the degree of customer satisfaction. For instance, the model has been used by Lai and Wu [26] in order to gain insights in the customers' needs of a Taiwanese public transport company and by Arbore and Busacca [27], who studied determinants of customer satisfaction for an Italian retail bank.

The Kano model describes customer satisfaction on the basis of the degree of implementation or availability, respectively, of certain attributes of products or services [28-29]. The model differentiates between four major types of factors. In Table 1, we list the factors and apply the remarks of Matzler et al. [28] to data privacy measures. In Figure 1, we illustrate the dimensions and possible factors of the Kano model in the context of data privacy measures that refer to Matzler et al. [28].

Table 1. Details on the factors of the Kano model [29] as described by Matzler et al. [28]

<i>Factor</i>	<i>Customers' expectations and resulting effect on satisfaction</i>
Delighter (attractive quality)	Customers do not expect implementation of measure: <ul style="list-style-type: none"> • Implementation has a positive effect on satisfaction • Non-implementation has no effect on satisfaction
Performance need (one-dimensional quality)	Customers explicitly demand implementation of measure: <ul style="list-style-type: none"> • Implementation has a positive effect on satisfaction • Non-implementation has a negative effect on satisfaction
Basic need (must-be quality)	Customers implicitly demand implementation of measure: <ul style="list-style-type: none"> • Implementation has no effect on satisfaction • Non-implementation has a negative effect on satisfaction
Indifferent quality	Customers are indifferent to implementation of measure: <ul style="list-style-type: none"> • Implementation has no effect on satisfaction • Non-implementation has no effect on satisfaction

To determine the categorization of customer requirements as one of the Kano model factors, it is most common to use a two-question approach [25]. This original approach by Kano has been found to be the most reliable one in a comparison with four other methods and to be one of only two approaches that are suitable to be used in the design stage of products or services [30].

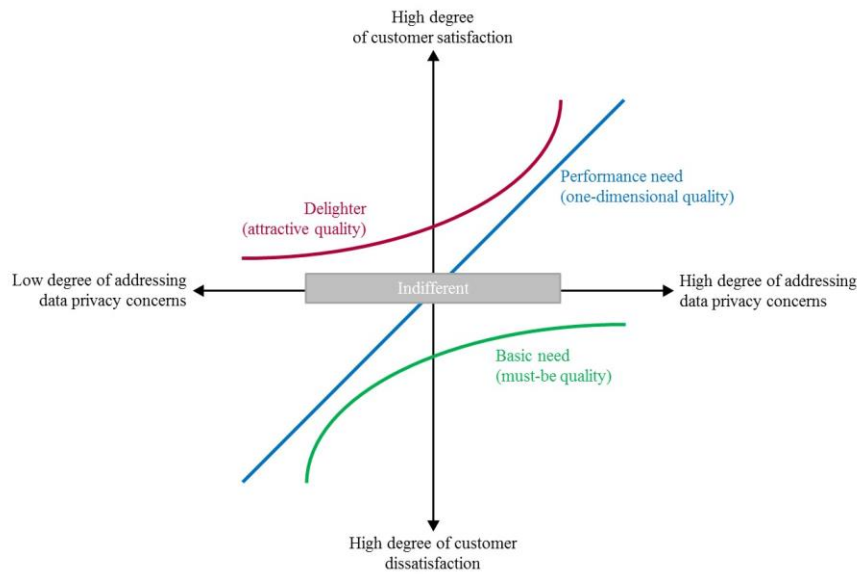


Figure 1. Factors of the Kano model [29] as described by Matzler et al. [28] and applied to the context of data privacy

The classification of a measure as a certain factor depends on customers' answers to both a functional and a dysfunctional question. That is, customers are asked about their

question demonstrates the survey's design. *Explanation*: "Your customer data may be used by a third party outside of the company for a purpose not previously agreed upon. The company implements the following measures." *Functional question*: "You are informed if your customer data are passed on to external third parties." *Dysfunctional question*: "You are not informed if your customer data are passed on to external third parties." To answer the functional and the dysfunctional question, the participants can choose one of the five previously mentioned possible answers. In this way, we ask the participants about each of the 32 identified measures, resulting in a total of 32 question pairs, each of them addressing one of the data privacy concerns.

Participants. The main survey has 227 German-speaking participants, 219 of whom correctly answered a control question. Invitations were distributed via social media and email, and participation was incentivized through a lottery of vouchers for an online retailer. The sample mostly consists of students (78%) and employees (16%). The age of the participants is between 18 and 57 years (average age 25.4 years). The survey was completed by both women (55%) and men (45%). The majority of the participants is well-educated. The share of participants holding a university degree is 51%. Another 42% of the participants achieved degrees with the matriculation standard.

4 Results

In the following section, we present the overview of possible data privacy measures for companies in section 4.1 that resulted from the research process previously described. This overview forms the basis of the presentation of the survey results in section 4.2, that is, the perceptions that customers have of the identified privacy measures.

4.1 Data Privacy Concerns and Measures

The overview of possible data privacy measures is compiled from the literature, legislative texts, and expert interviews. Two publications contain various starting points for measures that can be taken to ease customers' concerns: Morey et al. [33], who describe the role of transparency regarding data collection and usage, and Payne et al. [34], who focus on a list of different laws, regulations, and frameworks, and attempt to reconcile the conflicting agendas of companies and customers. Practical recommendations from Audatis Consulting [35] were used to complement the statements from a practitioner-oriented perspective. Furthermore, we use legislative texts: the European General Data Protection Regulation, which will become applicable law for countries in the European Union in May 2018, the German Bundesdatenschutzgesetz, and the German Telemediengesetz, both finding predominant application with respect to data privacy. To check the completeness of and to verify the previously found statements, we performed three expert interviews in the way described in section 3.1. In the first interview, we talked to an in-house data privacy officer of a German automotive company in order to gain an overview of potential and existing data privacy measures as well as the challenges and difficulties entailed. To verify existing statements and to check whether we had covered all relevant aspects,

we conducted a second interview with a researcher who was working on a project with the goal of developing a long-term data privacy strategy for a German bank. To complement our research with input from a legal perspective, we interviewed a lawyer.

From all sources, we collected 141 statements merged to 32 groups. From these groups we derived a particular data privacy measure. All 32 measures can be mapped to one of seven privacy concerns following Smith et al. [15], and as listed in Table 2.

Table 2. Data privacy concerns presented by Smith et al. [15]

<i>Concern</i>	<i>Description</i>
Data Collection	Concern that companies store large amounts of personal customer data.
Data Combination	Concern that customer data from different databases may be combined to gain additional information about a customer.
Internal Secondary Usage	Concern that companies use customer data for a secondary unauthorized purpose.
External Secondary Usage	Concern that customer data are disclosed to a third party and used for a secondary unauthorized purpose.
Errors	Concern that customer data may contain deliberate or accidental errors.
Improper Access	Concern that unauthorized persons are able to view and edit customer data.
Reduced Judgment	Concern that decisions are made in an automated manner and that human intervention in decision-making processes is not possible.

The measures are presented in Tables 3 to 9, grouped by the seven concerns. First, Table 3 represents measures that address customers' privacy concern of Data Collection, meaning that companies might store large amounts of personal customer data.

Table 3. Measures addressing customers' privacy concern of Data Collection

<i>#</i>	<i>Measure description</i>
A1	The purpose, scope, and storage time of the data collection and the involved advantages, risks, resulting rights, and obligations are clearly explained to the customer.
A2	Customer data are, as best as is possible, stored anonymously to prevent backtracking of individual customers.
A3	Only the customer data absolutely necessary to provide the agreed service are collected.
A4	Altering or exiting the contractual agreement with regard to personal data is as easy as entering into it. Among others, processing requests occurs quickly and is free of charge.
A5	At the request of the customer and without a long delay, the company provides a set of his personal data free of charge in an easily readable form. Furthermore, the customer has the right to pass these data to other companies.

Table 4 comprises measures that address customers' privacy concern of Data Combination. That is, customer data out of different databases might be combined to gain additional information about a customer.

Table 4. Measures addressing customers' privacy concern of Data Combination

#	<i>Measure description</i>
B1	The customer is informed if the company combines his data from various internal and external sources.
B2	If the company combines customer data from various internal and external sources, combination and storage are carried out using anonymous data to prevent backtracking of individual customers.
B3	If customer data are collected for different purposes, the data sets are stored in different databases and are not combined.
B4	The customer decides on whether the company is allowed to combine data from various internal and external sources and can change his decision at any time.

Customers might be concerned that companies use customer data for a secondary unauthorized purpose within the company. Measures addressing the concern of Internal Secondary Usage are listed in Table 5.

Table 5. Measures addressing customers' privacy concern of Internal Secondary Usage

#	<i>Measure description</i>
C1	The customer is informed whether and what data are passed on within the company or group of companies and for what purpose.
C2	Customer data are deleted as soon as the original reason for the collection no longer applies or the customer withdraws his permission.
C3	Entering, viewing, altering, and deleting customer data are recorded to make it possible to retrace who changed the data when, and in what manner at any time. The customer can either directly view the log file or is informed about any alterations of his personal data.
C4	If customer data are collected for different purposes, the data sets are stored in different databases and are not combined.
C5	Customers have the opportunity to easily decide which of their personal data are shared with other departments of the company and/or used for other purposes.

Measures addressing customers' privacy concern of External Secondary Usage are presented in Table 6. Customer data might be disclosed to a third party and used for a secondary unauthorized purpose.

Table 6. Measures addressing customers' privacy concern of External Secondary Usage

#	<i>Measure description</i>
D1	If customer data are passed on to external third parties, the customer is informed. If customer data are passed on to external third parties, the company ensures that the data are only used in the manner agreed on with the customer through contracts or binding commitments to data protection regulations.

Table 7 cont'd. Measures addressing customers' privacy concern of External Secondary Usage

#	<i>Measure description</i>
D3	If customer data are passed on to external third parties, the company or an independent certification organization regularly checks the external third party's compliance with data privacy regulations.
D4	If customer data are passed on to external third parties, data are only forwarded in aggregated or codified form (e.g., income class instead of exact yearly income).
D5	If customer data are passed on to external third parties, the data are – as best as possible – forwarded anonymously.
D6	The company does not pass on customer data to external third parties.
D7	The customer has the choice to easily deny sharing his data with external parties even if doing so results in compromising or the complete abortion of the value delivery.

Customer data might contain deliberate or accidental errors. Measures addressing the concern of Errors are listed in Table 8.

Table 8. Measures addressing customers' privacy concern of Errors

#	<i>Measure description</i>
E1	Customer data are checked regularly by the company for completeness, accuracy, and being up-to-date.
E2	The company ensures that no customer data are destroyed or lost by technical and organizational means.
E3	Employees with access to customer data are selected carefully, their behavior is checked regularly, and they are held responsible for malpractice.
E4	Entering, viewing, altering, and deleting customer data are recorded to enable retracing at any time who changed the data when, and in what manner. The customer can either view the log file directly or is informed about any alterations to his personal data.
E5	The customer has access to his data to correct errors, make alterations, or delete data. If he is not provided with direct access to edit his data, they are changed by the company on request.

Table 8 contains measures addressing the concern of Improper Access, which means that unauthorized people might be able to view and edit customer data.

Table 9. Measures addressing customers' privacy concern of Improper Access

#	<i>Measure description</i>
F1	If the protection of customer data was violated and their security is at risk, the company immediately informs the customer and the authorities.
F2	Storage and transmission of customer data are protected by technical (e.g., password protection, encryption) and organizational means (e.g., access control, companywide standards regarding handling customer data).
F3	The company ensures that customer data are stored and processed only on its own servers within the European Union or countries trusted by the European Commission.

Customers might be concerned that decisions are taken in an automated manner and that people cannot intervene in decision-making processes, if necessary. This concern, Reduced Judgment, can be addressed by the measures listed in Table 10.

Table 10. Measures addressing customers’ privacy concern of Reduced Judgment

#	<i>Measure description</i>
G1	The customer is informed whether a decision was made through an automated systems or through an employee of the company. At the customer’s request, the reasons for the decision are communicated and explained.
G2	Automated decision processes are continuously tested and checked for deviations.
G3	Decisions that entail legal consequences (e.g., granting a credit) are never made only on the basis of automated systems.

In summary, Tables 3 to 9 represent a comprehensive list of actions that can be taken by companies to mitigate the risk of displeasing customers and to create the potential for delighting customers regarding data privacy.

4.2 Customers’ Evaluation of Data Privacy Measures

Companies need to be aware of customers’ evaluation of these data privacy measures, which forms the basis for deriving implications for companies’ data privacy policies. To determine whether customers consider the implementation of the different identified data privacy measures as “must-be” (basic need), “one-dimensional” (performance need), “attractive” (delighters), or “indifferent,” we analyzed the survey’s results using the Kano model as described in the previous section. These results are illustrated in Figure 3. Thereby, the measures are numbered as defined in Tables 3 to 9. The abscissa denotes the majority-share of survey participants that determined the measure’s classification as one of the four Kano model factors. The ordinate states the spread between the majority-share and the second highest share to evaluate the result’s clarity. In the illustration, a green square represents a measure considered to be a basic need by the majority of the participants. Analogously, red dots symbolize measures that are considered to be delighters and gray triangles mark the respective measures as being of indifferent quality. There are no measures considered to be performance needs. To illustrate this approach, we use measure D5 as an example. According to their choice of answers, the majority of the participants (57%, abscissa) see it as a basic need, whereas the second largest group (23%) consider it as a performance need. Thus, the ordinate is 34% (57%–23%), representing a relatively clear result. Overall, the unity among survey participants regarding the classification of a data privacy measure is the smallest bottom left and increases along the bisector. Thus, the distinctiveness of a categorization is highest toward the top right. Valid implications can be derived from the results starting from a spread of at least 10% on the ordinate in Figure 3.

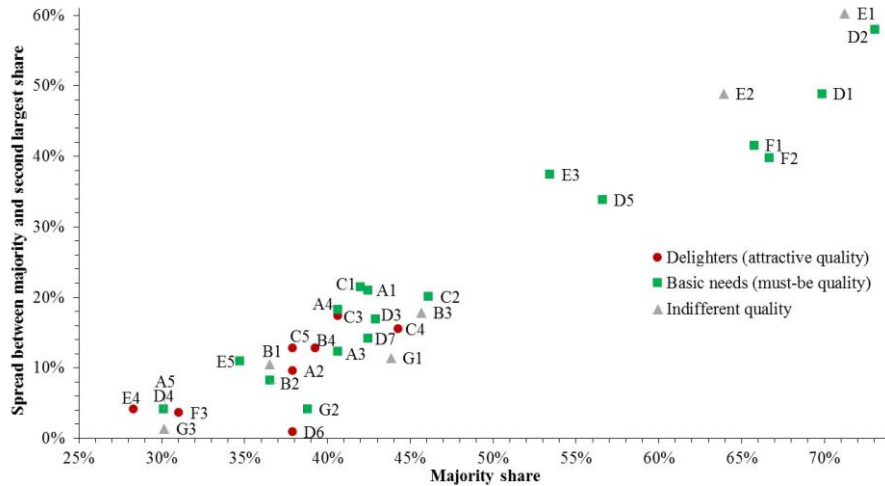


Figure 3. Visualization of the empirical results

Survey participants see 18 out of 32 measures as basic needs. That is, the realization of these measures is neither rewarded nor explicitly demanded by customers. Instead, it is a basic prerequisite when engaging in business with the company. In particular, basic needs can be found among measures addressing the concerns Collection (4 measures out of 5 categorized as a basic need), External Secondary Usage (6/7), and Improper Access (2/3). Hence, these basic needs can be considered a necessary evil because they have downside risk if not implemented but offer no upside opportunities if implemented. The most distinctive example is measure D2, stating that external secondary usage is to be regulated by contracts or other provisions to ensure that data are only used in the manner agreed on with the customer.

Furthermore, no measures are considered to be performance needs. Their constituting properties are, in addition to having a negative impact if not implemented, that they also have the ability to increase customer satisfaction when implemented properly. The total lack of such factors with upside potential is another emphasis of the necessary-evil quality of most data privacy measures.

Entirely, six measures are considered by the survey's participants to be of indifferent quality and, in particular, can be found when addressing the concerns Combining Data (2 measures out of 4 categorized as indifferent) and Reduced Judgment (2/3). These measures do not allow distinctive interpretations toward any direction.

However, there are eight measures categorized as delighters, which are measures that are not required by the customer but may please them, and have no negative impact if not implemented. These measures go beyond the data privacy measures that customers expect. Their implementation positions a company at a level of data privacy commitment higher than anticipated, which has the potential to be rewarded with higher customer satisfaction. Thus, delighters enable companies to differentiate themselves from competitors and to gain a competitive advantage. For instance, Internal Secondary Usage is the concern with the highest share of measures classified as delighters (3/5). In particular, customers can be delighted by providing them with the ability to retrace

who changed the data, how, and when (measure C3), or by storing customer data in different and not combined databases, if the data are collected for different purposes (measure C4).

In summary, most of the identified data privacy measures are classified as basic needs. However, survey participants' answers lead to the classification of some data privacy measures as delighters. Thus, our results show that the implementation of data privacy measures has the potential to delight customers.

5 Summary, Limitations, and Future Research

This paper provides an overview of data privacy measures collected from scientific and practitioner-oriented literature, legislative texts, and expert interviews, and can be useful for researchers and practitioners. On top of this overview, this paper provides first insights into customers' perceptions of the identified data privacy measures. By using the Kano model to design a survey with more than 200 participants, we could show that the majority of data privacy measures must be considered as necessary evils for companies. Nevertheless, some data privacy measures can even delight customers. Thus, this paper's result is that certain data privacy measures have the potential to increase customer satisfaction and enable a competitive advantage for companies. Accordingly, researchers and practitioners may use our approach as inspiration when deriving a data privacy strategy because evaluating customers' perception may assist in prioritizing the implementation of data privacy measures. Measures classified as basic needs should be implemented by every company to avoid data privacy incidents and negative effects on customer satisfaction. Companies that strive for delighting customers through data privacy may also implement measures classified as delighters.

However, researchers and practitioners need to be aware of our research having some limitations. First, the research approach is limited to the consideration of a specific aviation sector scenario. To verify the general validity of the conclusions, the survey has to be rerun for further settings that refer to other industries. Second, in the field of data privacy, statements of customers in empirical surveys do not necessarily match their actions in the real world. According to Norberg et al. [36] and Acquisti and Grossklags [37], the so-called privacy paradox describes the discrepancy between customers' intentions to protect their own privacy and their real-world behavior. To take into account this phenomenon, the results of the survey should be verified in real-world situations. Third, in general, the classification of delighters is less clear than the classification of basic needs. That is, when interpreting this paper's results, implications must be challenged according to the principle of prudence. When in doubt, a measure should rather be considered a basic need than being of indifferent quality or a delighter. Future research could follow Matzler et al. [18], who state that unclear results spread out over several categories can be a starting point for market segmentation. Thus, further research could examine the categorization of data privacy measures as Kano model factors depending on demographic characteristics.

When providing an overview of data privacy measures and outlining the potential to increase customer satisfaction by applying certain data privacy measures, we could also

point out main areas of further research relevant to both researchers and practitioners. Specifically, we plan to extend our research to other industries to evaluate general validity in the near future. Further research can also focus on a break-down of single data privacy measures into its individual components and the influence of these granular aspects on customers' satisfaction with a particular data privacy measure.

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