MINDING YOUR OWN BUSINESS

BY DIANE BAILEY

Returning a popcorn popper to K-Mart? Be prepared to pull out your driver’s license and reveal your height and weight. Want the New York Times delivered to your doorstep? Only if you live in the proper ZIP code. Been turned down for a loan for no apparent reason? Start looking for a mistake in your credit report.

It's the biggest numbers game of all: collecting, amassing, and analyzing data that describe Americans and their behavior. Data collection often happens under the premise of fulfilling consumer needs, but there are warts on this sunny visage.

Retailers, employers, and insurance companies who gather personal details about us are stealing our privacy and making us pawns in a marketing strategy game. The information collected is synthesized into averages and trends that deny the basic right of privacy.

Information collection pervades society, and the players involved are many.

The government performs the most massive demographic chore with the census, which is used to determine funding for everything from highways to welfare. Ubiquitous supermarket scanners track what’s bought and when, and this information can be purchased for the purpose of correlating individual buying patterns and lifestyles.

One telephone company even accessed records from its telephone calling cards to monitor customers’ travel habits, then sold the information to hotels and airlines.

Such information gathering is vital to marketers, says geodemographic marketing expert Kathleen Morrow, an assistant professor of consumer studies and retailing in SU’s College for Human Development.

“When you target customers,” says Morrow, “you’ve got to know everything about them — where they live, what they do, and how many bowls of Ragu spaghetti sauce they eat each week and what they like to eat it on.”

Demographics — a statistical description of the population by criteria such as age, sex, income, and education — has become a godsend for marketers looking to define and target specific populations. Advertising agencies buy space based on the demographics of a magazine’s readership. Insurance companies infer from ZIP codes a person’s likelihood to make a claim.

“Demographics are so popular because they’re visible and actionable,” says Tridib Mazumdar, an associate professor of marketing in the School of Management. “Any other way would be too hard. How do you target an ad campaign based on an abstract variable like ‘I feel good?’”

Modern marketers live for the clustering approach, which attempts to categorize groups of people based on demographic and lifestyle descriptions. Claritas, a giant consumer research company, attempts to classify everyone in one of its 40 clusters, called PRIZM, or Potential Rating Index for ZIP Markets. At the top of the income list is Blue Blood Estates, at the bottom is Public Assistance, and in the middle come the Coalburg and Corntown crowd, the Shotguns and Pickups crew, and the residents of Norma Rae-ville.
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Edmondson disagrees. Edmondson, editor-in-chief of *American Demographics* magazine, believes clustering merely reflects and reinforces existing stereotypes. Yet, he admits, “there is a direct and imminent danger to businesspeople who put too much stock in stereotypes and don’t do more research to try to get a closer idea of what their consumer targets are really like.”

Edmondson says demographics should be only one aspect of a marketing plan that includes drives through neighborhoods and personal interviews. But, he concedes, “A lot of American businesses are just mad for statistics and don’t use enough anecdotal information.”

A more pernicious problem is invasion of privacy. It’s not difficult to imagine a future in which supercomputers record and distribute detailed dossiers on everyone. Most personal information is released voluntarily by individuals, but it’s often transmitted without their permission to other users. List marketers routinely sell addresses of people categorized by some trait, say, women who have expressed an interest in losing weight. While such information may only trigger a battery of aggravating phone calls, there is the potential to cause real harm. For instance, hate groups have tried to buy lists broken down by race or ethnicity. Another example concerns Farrell’s Ice Cream, which collected children’s birth dates as part of a promotion. The information was later sold to the Selective Service, and when the boys on the list turned 18, the draft board came knocking.

“You first intent may be innocent, but later on, you always have that information,” says Bob Fligge, who graduates this month from SU’s retailing program and will subsequently begin management training for Wal-Mart. Fligge admits that as a businessman he would happily use information that as a consumer he would reluctantly reveal. Does he have an answer for that contradiction? “Not a real good one. I don’t know if there really can be one standard.”

Resistance has already been raised to the creation of the national health care card proposed by President Clinton. The American Civil Liberties Union, among other groups, worries that privacy is compromised when intimate medical details are accessible via a magnetized strip. Imagine if such information is both incorrect and public, which can happen even today and did to a certain Massachusetts man.

This person was denied an insurance policy when the company searched a database and found information indicating he was an alcoholic. In truth, the man had attended Alcoholics Anonymous meetings, hoping its 12-step approach would help him stop smoking.

Employers are as information-hungry as marketers. They often force applicants to reveal information they’d prefer to keep private—information that could damage their chances of being hired not only by the employer who requested the information, but by other employers as well. While he could prove nothing, one Louisiana oil rig worker said he was turned down for more than 200 jobs after he was forced to admit he once filed for workers’ compensation.
To get around illegal querying, employers sometimes simply run background checks.

In 1989, a Washington, D.C., man was fired from his lucrative job just six weeks after being hired. Why? Because a database search revealed he'd been convicted of cocaine possession. Unfortunately, the database had confused the man with someone with a similar name.

"Credit card companies also sell information to major corporations, who might use it for hiring," says Mazumdar. "Companies can't directly ask about your financial situation, but they can find out."

There is plenty of anecdotal evidence of redlining—denying products or services to someone based solely upon statistical information.

In 1988, a University of California-Berkeley student heard a rumor that Citibank was offering credit cards, but only if the applicant had a certain major. A humanities major, the student called Citibank and was told she might receive the card if she listed her major as business administration or electrical engineering. When the student exposed the policy in an article, Citibank admitted it determined recipients by future salary potential.

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After a California man financed a $41 videocassette rack, then returned the purchase, a bad debt showed up on his credit report. It persisted even after he corrected the mistake twice and even after he won a small claims court suit against the financial agency. The mistake ultimately cost him a chance to refinance his home at a lower rate.

As it turns out, however, neither privacy nor misinformation may top the concerns of the average American consumer, says Linda Jacobson, American Demographics research director.

"I think people are annoyed by phone calls at dinner time and the constant demand for information," she says, "but not so much concerned about what's being done with it."

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