

Michaela Pagel, Washington University's Olin Business School

Departmental Seminar on June 17, 2024

Host: Sebastian Ebert

Cookies and Shopping

This study examines the impact of enhanced data privacy on online shopping and financial health. Specifically, we analyze the staggered adoption of cookie permission and compliance systems by US retailers in response to the European Union's data protection standards and the California Privacy Act. We combine information on when specific retailers implemented a cookie compliance system with individual-level bank and credit card transaction data from a US data aggregation and analytics provider. We find that online spending at retailers decreases significantly after they introduce cookie compliance systems. To address potential selection into who and when individuals shop with enhanced privacy, we also use exposure to cookie compliance systems based on pre-policy shopping baskets in a reduced form IV specification. Our IV specification results confirm the initial findings with respect to spending and show that individuals incur less overdraft and late fees, rollover less credit card debt, and borrow less in other high-interest unsecured credit such as payday loans when they are treated with enhanced privacy. We discuss targeted advertising, third-degree price discrimination, and shopping convenience as the three main channels behind these results. Our findings provide insights into the relationship between data privacy regulations and consumer actions, informing policy considerations at the state and federal levels.