Privacy, Personal Data Collection and the Freemium Business Model for Web 2.0

Citation for published version:

Link:
Link to publication record in Edinburgh Research Explorer

Document Version:
Publisher's PDF, also known as Version of record

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Web 2.0’s creative platforms - including popular services and social networks such as Facebook, Google+, Twitter, YouTube, Spotify and WordPress - are vital incubator platforms for innovation. Despite user bases which can number in the hundreds of millions however a key challenge for these services has always been the development of a credible monetisation strategy: How can users be turned into revenue?

Arguably this model benefits all players in the digital economy. Services remain free for users, removing any financial barriers to access; innovative new businesses can enter the market more easily without being constrained by the pricing of existing players; and existing businesses can benefit from the user inertia that results from the lack of a cost.

Unfortunately through not all online advertising is the same. While traditional contextual advertising matches ads to the content of the website that they will be displayed upon, recent years have seen a rapid growth in the use of a more individualised approach: online behavioural advertising (OBA). This involves the practice of targeting users with advertising on the basis of their past browsing behaviour and therefore their inferred interests. OBA has proven to be vastly more successful than contextual advertising at encouraging users to click and is increasingly becoming favoured amongst advertisers.

However, in order to create the type of user profile that facilitates such targeting, online providers and advertisers must first track individual users through ever more sophisticated tracking technologies, often without the user being aware of this. OBA therefore presents challenges to vital user rights like privacy while at the same time forming a core part of the economic model that enables innovative web 2.0 services to exist.

There is thus a need for an economic solution that continues to foster innovation while at the same time protecting the privacy of users.

PROJECT OBJECTIVES

- To examine the current legal framework that governs the tracking, mining, profiling of individuals’ data
- To assess the impact on privacy of proposed reforms to the Data Protection Directive and industry “soft law” in the area of online behavioural advertising
- To explore alternative business models as potential solutions to the privacy: business conundrum (including the contemporary use of “freemium” and “bundling” models)

RESEARCH QUESTIONS

1. What competing privacy and business interests are at play when it comes to the tracking, mining, and profiling of service users?
2. How has the legal data protection framework influenced or constrained contemporary business models?
3. What impact might proposed legal and industry measures in the area of data protection and privacy (e.g. the General Data Protection Regulation, Do Not Track proposals) have on future business models?
4. Does privacy have the potential to be a unique selling point in business models?

PROJECT CONTEXT

Rather than charge for access, these services typically remain free at the point of access. The most common approach has been to finance services through an advertising model instead, in which revenue is generated by selling advertising space to third parties. This can be an lucrative form of monetisation since advertising revenue alone is predicted to reach US $15 Billion by 2018.

Innovative new businesses can enter the market more easily without being constrained by the pricing of existing players; and existing businesses can benefit from the user inertia that results from the lack of a cost.

There is thus a need for an economic solution that continues to foster innovation while at the same time protecting the privacy of users.

CONSUMER ATTITUDE REVIEW

To establish consumer attitudes towards privacy as a potential unique selling point and the commercial value (if any) that consumers attach towards privacy friendly approaches.

Scope Research into Mobile Application Business Models

To establish what business models currently exist within the mobile application ecosystem and to classify their revenue sources for the purposes of identifying those whose monetisation strategy is either pro-privacy or involves privacy as a unique selling point.

del. Method

Desk Based Literature Review

To establish the current legal framework governing the tracking, mining, profiling of individuals’ data and the relevance of this framework from a business model standpoint. Furthermore, to explore potential future legal and “soft law” self-regulatory approaches which may impact upon the availability and utility of current and future business models.

Overview of Existing Consumer Attitudes Research

To establish consumer attitudes towards privacy as a potential unique selling point and the commercial value (if any) that consumers attach towards privacy friendly approaches.

Qualitative Case Studies

To explore in depth those case studies identified from the scope research where privacy plays a strong role in the business model.

Deliverables and Dissemination

Deliverables:
- 2 x Refereed Journal Article
- 2 x Conference Presentation
- Report on research into privacy friendly business models and monetisation strategies

Dissemination:
- Journal article has been drafted and is currently being refined before submitting for publication
- Currently exploring potential conferences for further dissemination in 2015 (e.g. ACR Web Science 2015, Privacy Law Scholar 2015)
- Exploring the potential opportunities for a panel that would bring together key industry players, policy makers, and academics with an interest in privacy and business models.

KEY LITERATURE