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

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Work Package 7B
Privacy, Personal Data Collection and the Freemium Business Model for Web 2.0

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PROJECT CONTEXT

Web 2.0 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 in revenue?

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 a lucrative model as targeting advertising revenue alone is predicted to reach US $15 Billion by 2018.

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 adverts 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

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 have on future business models?
4. Does privacy have the potential to be a unique selling point in business 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?
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DELEIVERABLES 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 refereed before submission for publication
- Currently exploring potential conference 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.

PROGRESS TO DATE

1. Carried out a literature review exploring the current legal framework that governs the tracking, mining, profiling of individuals' data and international developments in the area of Do Not Track
2. Reviewed surveys and research undertaken into consumer attitudes towards privacy
3. Produced a paper outlining the findings of the initial desk-based research:
   - Technical and legal solutions to block or prohibit the tracking of individuals whose monetisation strategies are least likely to allow growing revenue
   - There remains a key economic problem: Advertising funds a huge number of sites, and enables innovative online businesses that may not otherwise be viable
   - Would sites such as Facebook really have become so popular if users had to pay a subscription to access them?
   - A number of possible long-term harms have been identified for further exploration
   - The creation of an omniscient private sector
   - Future attempts by public bodies to gain access to data gathered as part of tracking
   - Advances in identification/re-identification technologies risk the connection of tracking with real world identities (Big Data)
4. Initial draft of this paper was presented at the annual 2014 BILETA conference

NEXT STEPS

5. Finalise editing of initial journal article and submit for publication (in progress)
6. A review of mobile applications for prevalent business models that allow for the generation of revenue in a privacy friendly way and/or which involve monetisation strategies where privacy acts as a unique selling point (currently in progress)
7. The identification of potential case studies - such as applications or specific industry sectors - for further in depth research
8. Potential qualitative case study research into the identified sectors or application types.

KEY LITERATURE

De Lima, D., Shrivastava, A., (2013) "Do not track?" Article No. 4 of Smartphone App Developers", Proceedings of the Ninth Symposium on Usable Privacy and Security
Fouquet, C., & Landais, H. (2013) "Review 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
Hagerstrand, T., & Hultman, M. (2013) "The identification of potential case studies: Deliveredables and Dissemination
Hopper, C., & Landais, H. (2013) "What impact might proposed legal and industry measures have on future business models?
Kerfoot, M. (2013) "What impact might proposed legal and industry measures have on future business models?
Lillie & Rauhofer, J. A. (2013) "What impact might proposed legal and industry measures have on future business models?" Article No. 4 of Smartphone App Developers"