



ceps **digital** forum



THE LAW AND ECONOMICS OF INTERMEDIARIES OF PERSONAL INFORMATION

Giacomo Luchetta

L'Analyse économique des données personnelles

Télécom-ParisTech, 16th of June 2014

ARE WE MISSING ANYTHING?

INSIDE THIS WEEK: TECHNOLOGY QUARTERLY

The
Economist

DECEMBER 15TH - 21ST 2013

economist.com

Ratan Tata's lessons for India

Egypt on the edge

The Big Long: betting on US housing

Putin alone

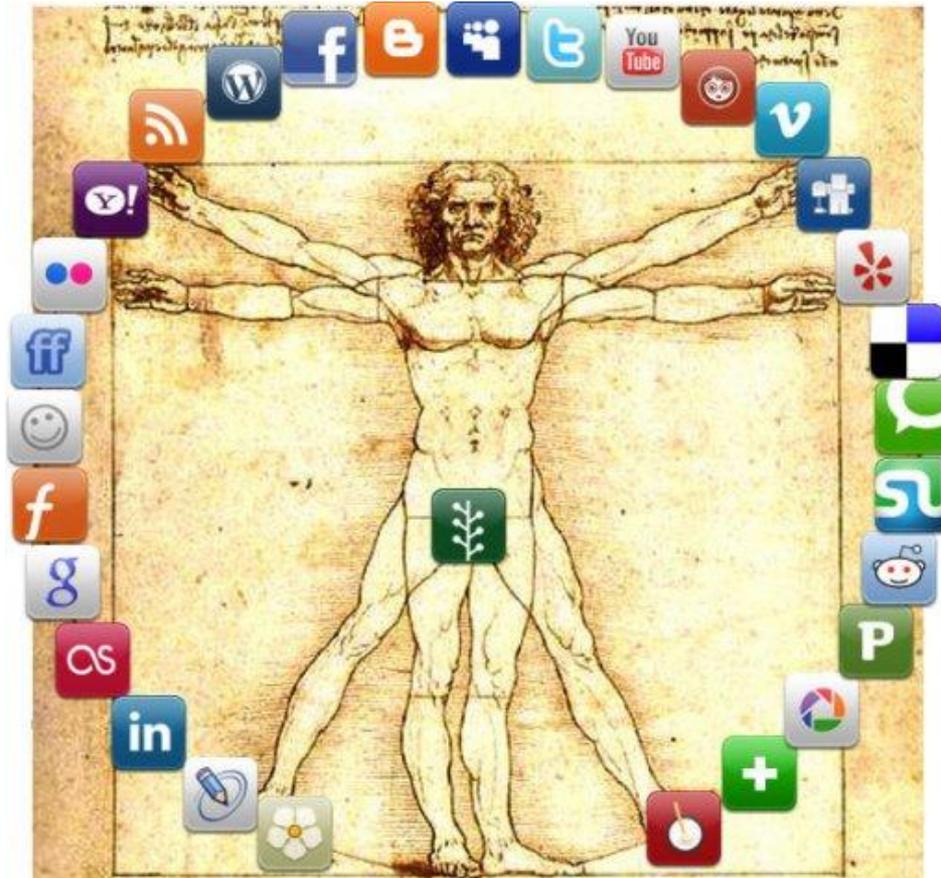
Abraham Lincoln, management theorist

Survival of the biggest

The internet's warring giants



ARE WE MISSING ANYTHING?



THE AIM OF THE TALK

This talk explores a class of firms active in many different industries:

Intermediaries of Personal Information

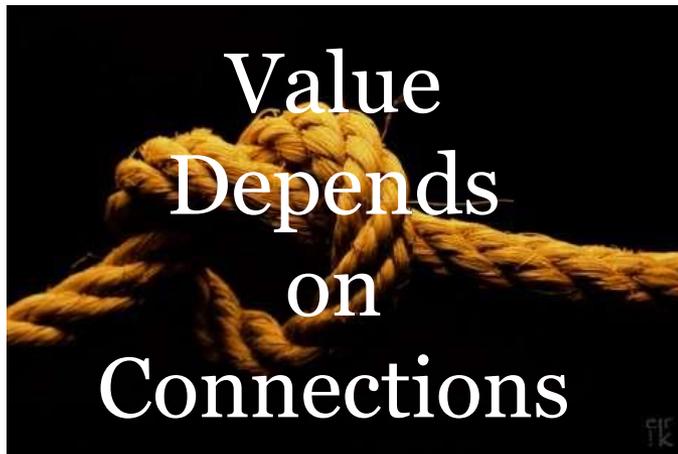
- They collect personal information in exchange of money, goods or services
- They use personal information to create connection between goods/services and users

In information economies, connection, not scarcity, becomes the most important determinant of value

THE AIM OF THE TALK

- At what conditions can firms exploit personal information?
 - Consequences in terms of **business model**
- Is economic regulation treating intermediaries of personal information consistently?
 - Uneven **privacy norms** regulating access to and processing of personal information
 - Uncorrect understanding of **competitive dynamics**

PERSONAL INFORMATION ECONOMY



Intermediaries of Personal Information



INTERMEDIARIES OF PERSONAL INFORMATION

Microsoft[®]



Telefonica

Google



facebook[®]



vodafone



Carrefour



Generali
Verzekeringen

Linked



GROUPON[®]



UniCredit

INTERMEDIARIES OF PERSONAL INFORMATION

Microsoft

FT
FINANCIAL
TIMES

 **UniCredit**


YAHOO!

LinkedIn



Google

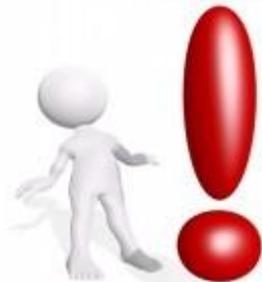
GROUPON



facebook

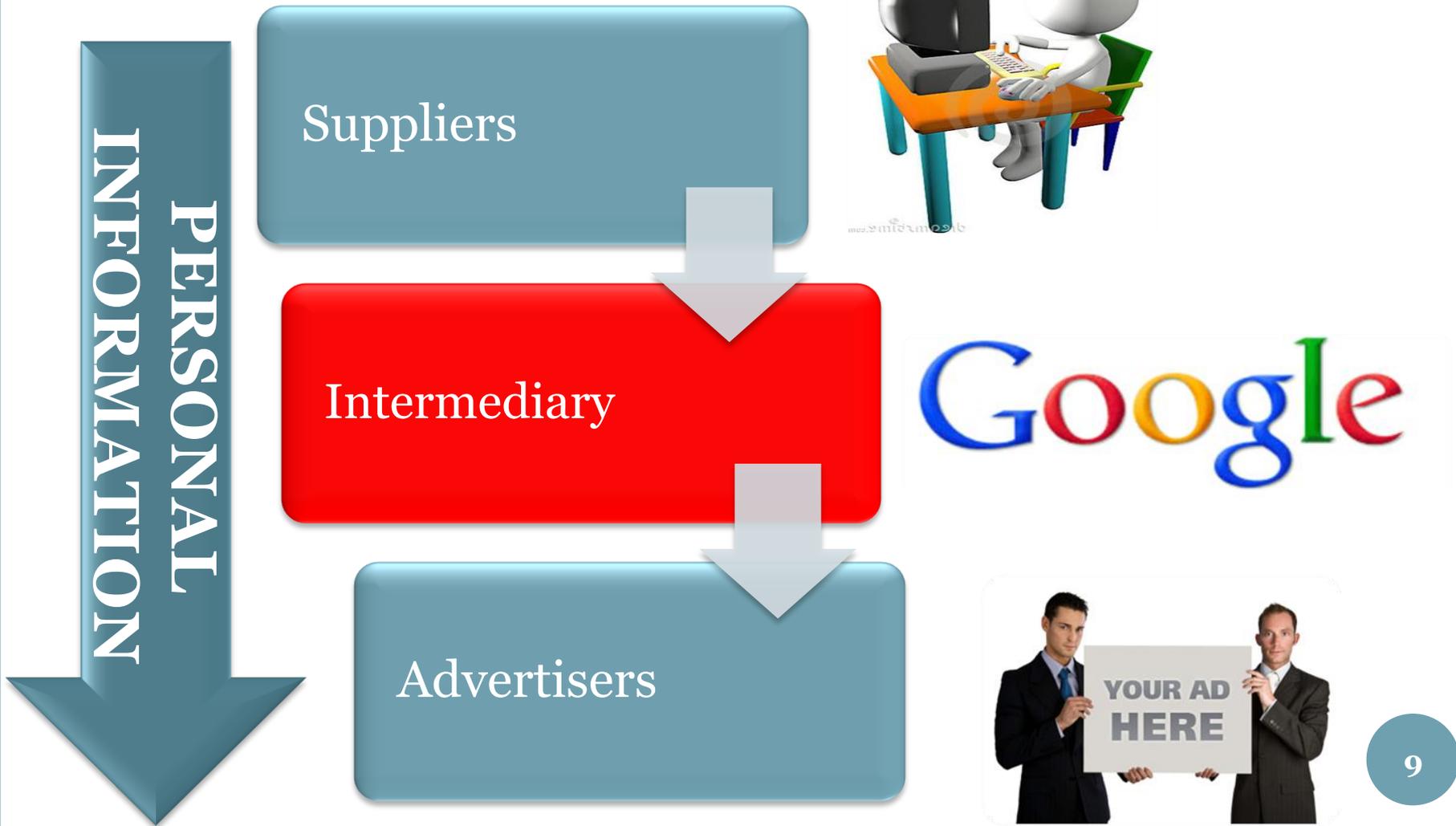
How do Intermediaries Create Value?

- ✓ Generating Efficiencies
- ✓ Targeted Advertising
- ✓ Predictive Analytics
- ✓ New Form of Interaction
- ✓ Data Trading

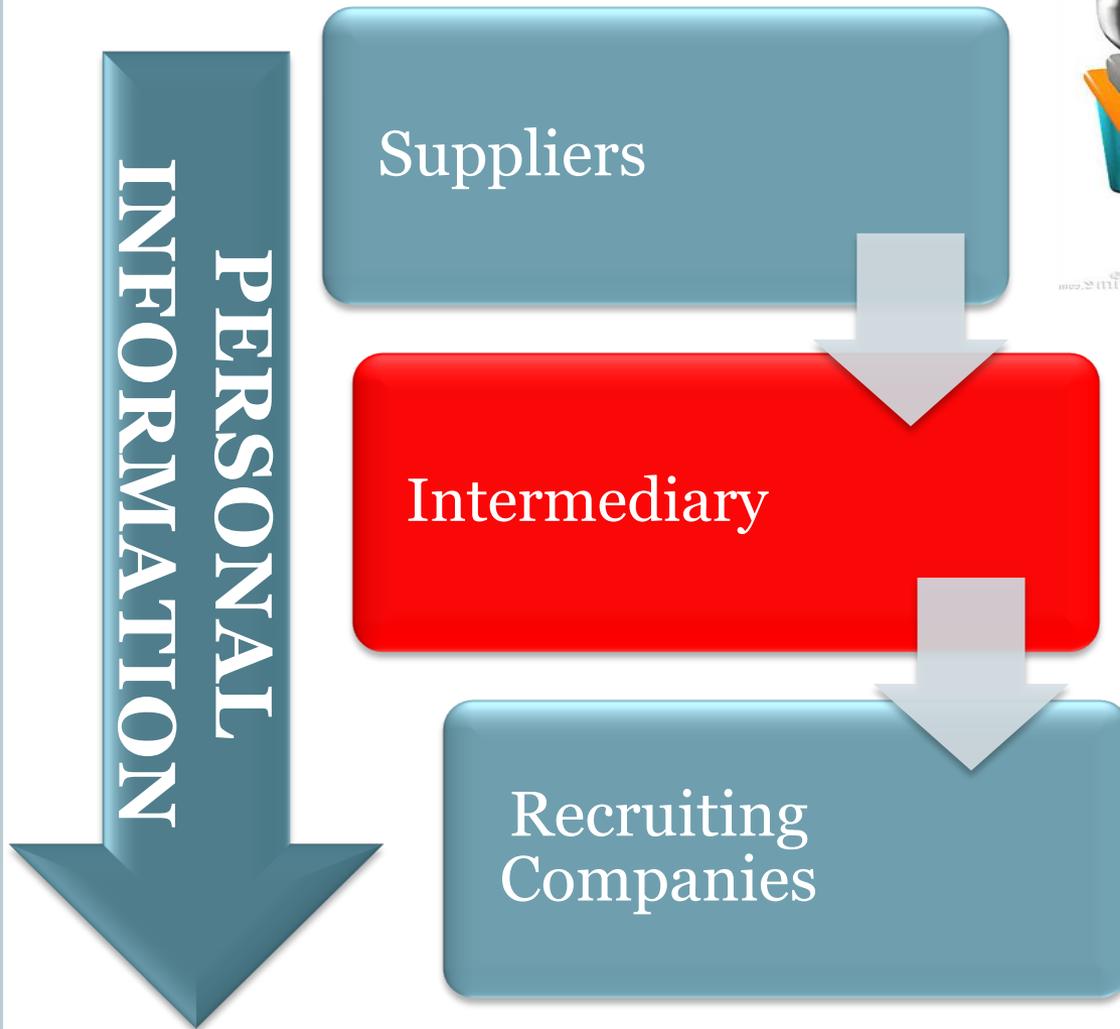


Depending on the
Legal Framework

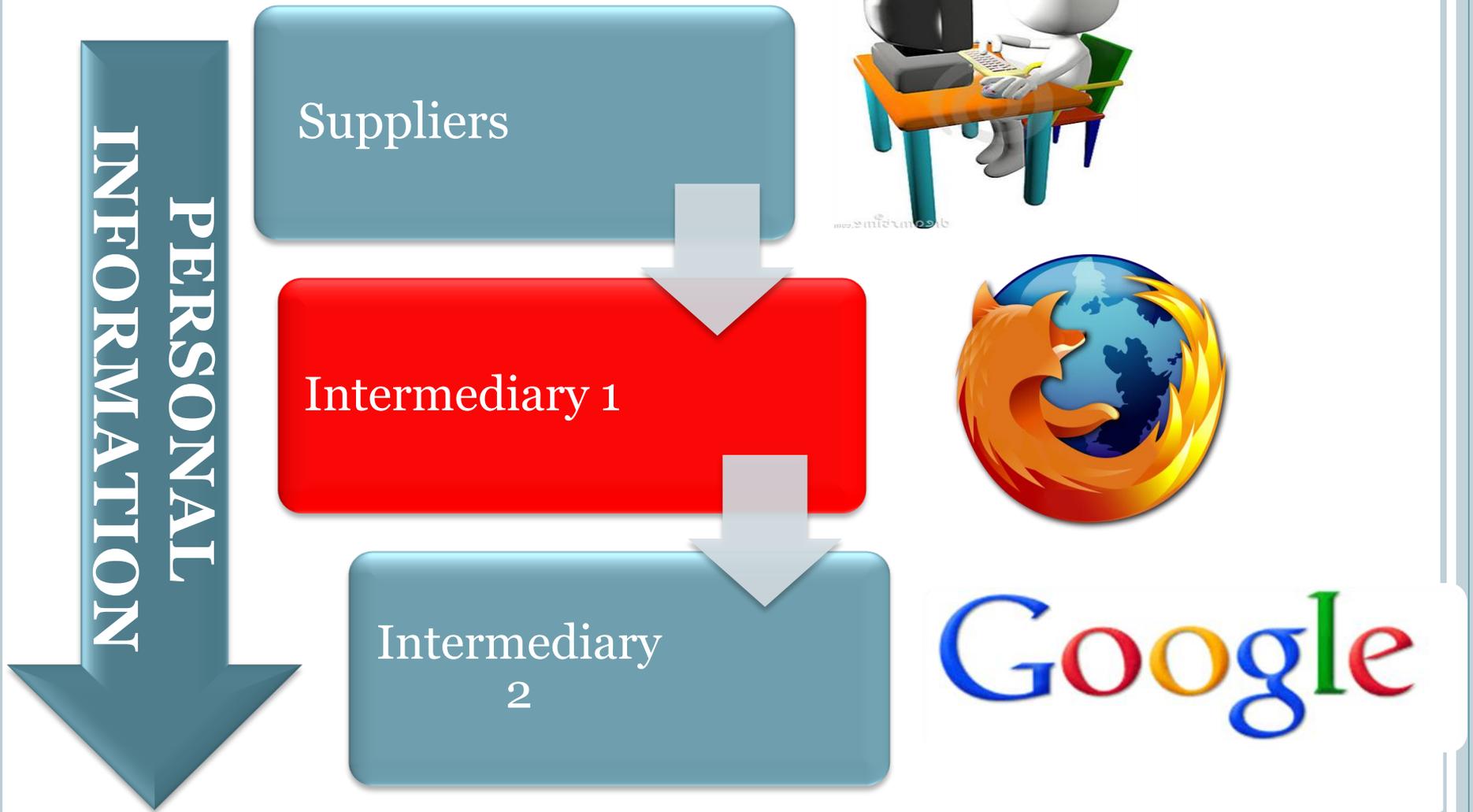
INTERMEDIARIES OF PERSONAL INFORMATION



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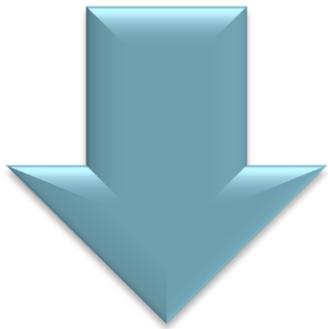
INTERMEDIARIES OF PERSONAL INFORMATION

Significance	Condition	Nature of Information	Relevance of Information	Support
Pure	Online	Punctual	Non-Functional	Medium
Significant	Offline	Statistical	Functional	Non-Medium
Partial			Essential	
Marginal			Information-Object	

ECONOMIC REGULATION

Intermediation of
Personal Information

- Negative Externalities
- Irrational Choice Patterns



Regulation of Privacy
Competition Law

- (Un)even playing field?
- Correct understanding of the competitive dynamics?

ECONOMICS OF PRIVACY

THE EARLY CHICAGO VIEW

Information is Good
for the Market

Privacy Regulations
is Detrimental for
the Market



ECONOMICS OF PRIVACY

A COMPLEXIFIED ANALYSIS

Multiple Interactions



Benefits for Consumers
Depend on the type of
Information Disclosed



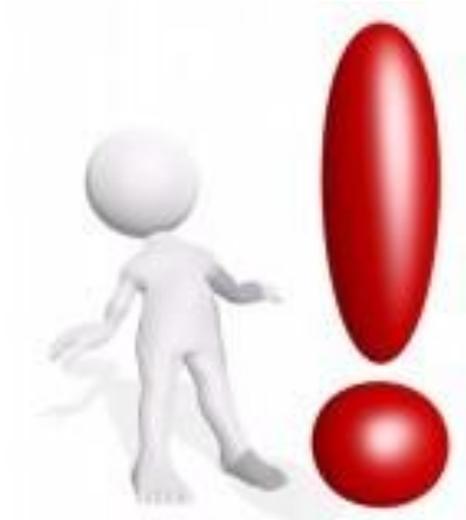
Negative Externality



ECONOMICS OF PRIVACY

Negative
Externality

The Market will Produce too
much Personal Information



BEHAVIOURAL ECONOMICS OF PRIVACY

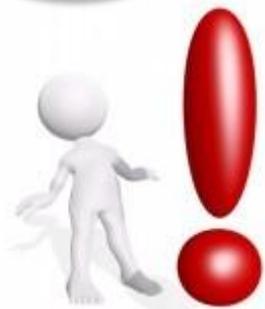
Random
Future
Costs



Unknown
Probability

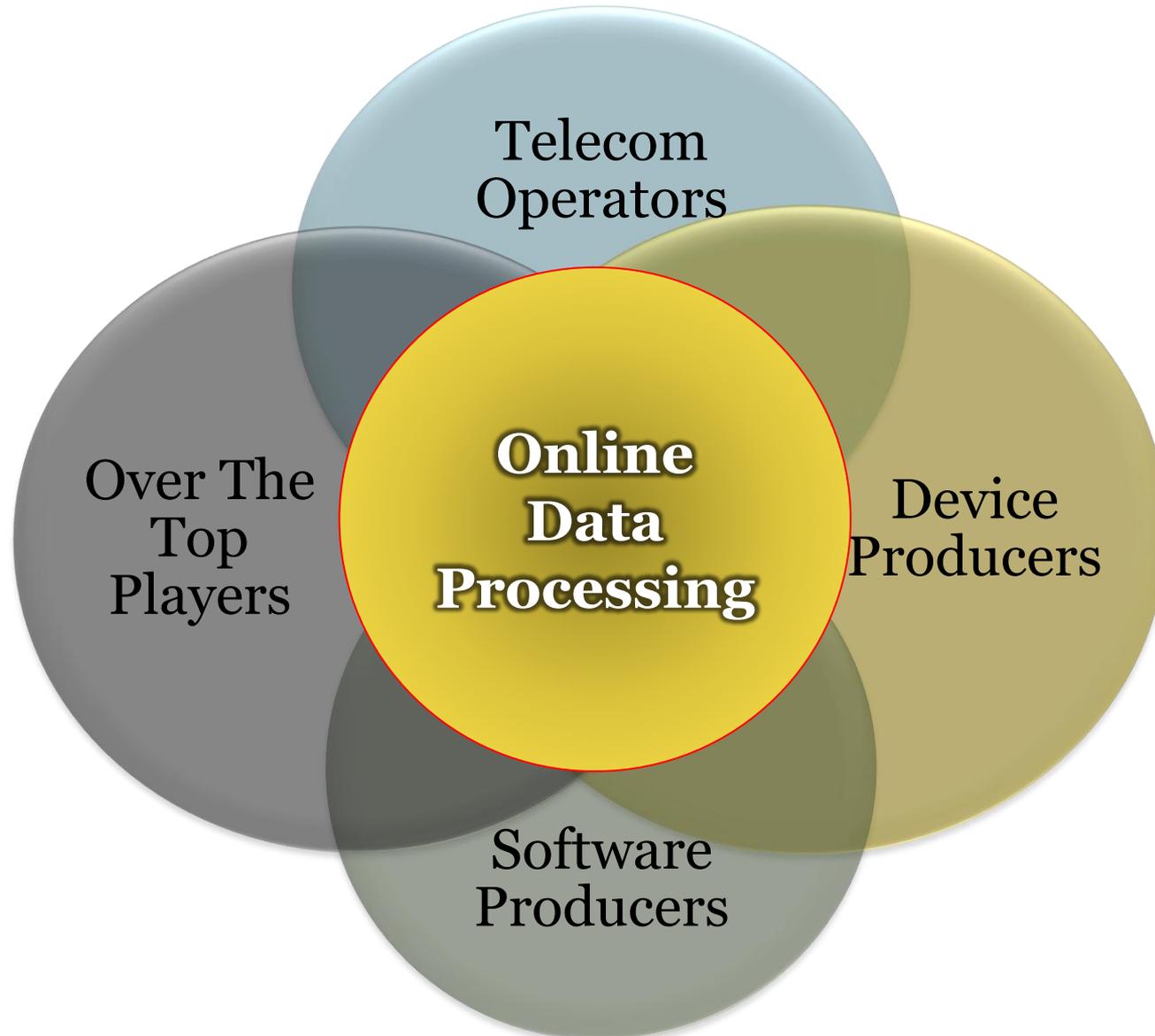
“Irrational”
Choice
Patterns

- ✓ Limited Information
- ✓ Complexity (also technical)
- ✓ Bounded Rationality
- ✓ Psychological biases



Individuals are likely to
disclose most information in
most cases

WHAT IS LAW MISSING? A CROSS-SECTORAL APPROACH



WHAT IS LAW MISSING?

ACCESS TO PERSONAL INFORMATION



Email
Scanning

SMS
Scanning

Deep Packet
Inspection

WHAT IS LAW MISSING? RELEVANT MARKETS



Suppliers

Intermediaries

Advertisers



THANK YOU!

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