

How much are your online data really worth?

12 April 2018, by Lee Schafer, Star Tribune (Minneapolis)



Credit: CC0 Public Domain

By now Facebook users seem to finally get that they may not get charged anything for using the social networking service but it sure isn't free, not after being subjected to ad after spookily tailored ad.

Yet users still seem to have a long way to go to fully understand what Facebook and the other big tech companies are really doing. And, of course, Facebook seems just as far away from delivering what consumers clearly seem to want.

That's my pessimistic conclusion from a new research note by the venture capital firm Loup Ventures of Minneapolis, in which managing partner Doug Clinton answered the question of what the online [data](#) of a single U.S. user are really worth.

Clinton and his Loup partners are technology optimists, with Clinton saying this week that people should expect at least a few problems with pretty much all innovations that make their lives better.

He started looking into the topic of what he called

social data not because of Facebook's still-unfolding privacy scandal but by puzzling over technical solutions for locking up and then selling one's own personal data. One problem Loup found here—which is that a user's not worth nearly as much to Facebook as consumers seem to think—seems to also suggest that Facebook has a lot of work ahead to regain consumer trust.

As almost everyone must know by now, Google doesn't charge for using Google Maps, and Facebook doesn't charge for its popular Facebook and Instagram applications. These applications are almost too easy to use, as even novices can get online and be liking and friending like mad within minutes.

Facebook's business model of "free" is shared by other big technology firms, a peculiar outcome of popular Silicon Valley ideas that seem to be impossible to hold in your head at the same time.

One was how the technology community had to celebrate the entrepreneurs of this age, builders of thriving businesses such as Sergey Brin and Larry Page of Google or Mark Zuckerberg of Facebook. The other is that the internet must remain a free and wide-open place, without government interference and available at no cost to anybody with the interest and means to get online.

The problem with free, of course, is that the entrepreneurs had to get their money from someone in order to have a business. That meant selling advertising.

The Silicon Valley firms offered advertisers a different deal, though, not the mass-market approach of 30-second radio spots or a quarter of a newspaper page. Facebook promised ads in front of the eyeballs of just the right person, having learned who that was by closely paying attention to what its users did online.

Meanwhile, Clinton and his colleagues at Loup Ventures had recently been noodling a potential business opportunity for the emerging blockchain technology, best known now for being the foundation of virtual currencies. Maybe consumers could use something like that to lock up their personal-use histories on technologies like Facebook's and Google's. Instead of giving their data away to these companies, they could sell it.

So what's that worth?

Last year Facebook generated about \$19.5 billion in U.S. and Canada ad revenue from its average monthly active users of more than 235 million, working out to about \$82 each. Pare that amount back, applying things like expenses and taxes, and the value of their data per user is about \$20.72.

A \$20 bill likely won't be enough to get anyone excited about the prospect of trading away personal data to a company like Facebook.

Facebook users, though, seem to have no idea they are worth so little. When about 500 users were asked by Loup about that, about a quarter responded with less than \$25. The most popular response, more than four in 10, was \$500 or more.

Even armed with annual filings from Facebook and a calculator, it's not exactly easy for people to figure out what their data might be worth. But that's not really Clinton's point.

He thinks that by putting a big number on the value of their own data, Facebook's users are once again saying how angry they were at having found out their personal profile had been used in a way they would never want. So what's their privacy worth? It's priceless.

What to do about their data privacy isn't obvious, either. Facebook rolled out changes to its [privacy settings](#) after the scandal erupted over user data being mined by Cambridge Analytica, a British political consulting firm. But Clinton found out what a hassle managing settings can be.

"I was 10 minutes in, and I was probably 10 percent of the way through the process of figuring out how

to manage my data," Clinton said. "To do it well, and this is just on Facebook, it's probably an hourlong-plus project."

Just one in 10 respondents to Loup's survey said they'd spend more than 20 minutes tweaking the privacy settings. By far the most popular answer was zero minutes.

If people don't even want to think about their privacy settings, one thing for Facebook to do, Clinton suggested in our conversation, is to make more of the default privacy choices "closed" rather than open. Let consumers choose if they want to share more about themselves to help Facebook provide better ads, videos and other material.

Of course, he also noted that what people really want isn't fully rational. They insist their privacy be completely protected even as they use Facebook and Instagram to blast out photos of their kids along with lots and lots of very personal details all over the world.

If anybody understands the curious ways of Facebook users right now, you would assume it has to be Facebook's executives. It remains to be seen what they may do next with those insights.

©2018 Star Tribune (Minneapolis)
Distributed by Tribune Content Agency, LLC.

APA citation: How much are your online data really worth? (2018, April 12) retrieved 27 November 2021 from <https://phys.org/news/2018-04-online-worth.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.