

Presentation to the Lear Conference 2015

Consumer data and competition: some perspective from recent research

26 June 2015 • David Abecassis



The UK context: recent research

- On 17 June 2015, the CMA published its findings from a CFI into the use of consumer data in the UK economy
- Main findings:
 - Data use is valuable
 - Rapidly increasing prevalence is creating concerns for consumers
 - Addressing competition and consumer protection concerns is important to preserve and realise the economic potential of data use
- Analysys Mason contributed to the CMA research into three sectors of the economy, led by DotEcon:
 - Motor insurance, gaming apps (social and mobile), clothing retailing
- We also published a report for Ofcom on consumer data value chains in 2015, in three main sectors:
 - Audiovisual media, telecoms, internet publishing

What did we learn?

- There is a lot of data being collected, shared, exchanged, and used throughout the economy
- The sources of value created by consumer data vary by sector, and also within a given sector and is realised through sometimes complex value chains
- The rapid development of the collection and use of consumer data brings challenges in balancing competition and consumer protection, as well as short-run and long-run effects

What is consumer data?

- Common thread: related more or less closely to actual individuals
- Personal (sensitive or not) / pseudonymous / anonymous
- Collected directly (first party), indirectly (third party) or at arms-length (traded)
- Declared / observed / inferred

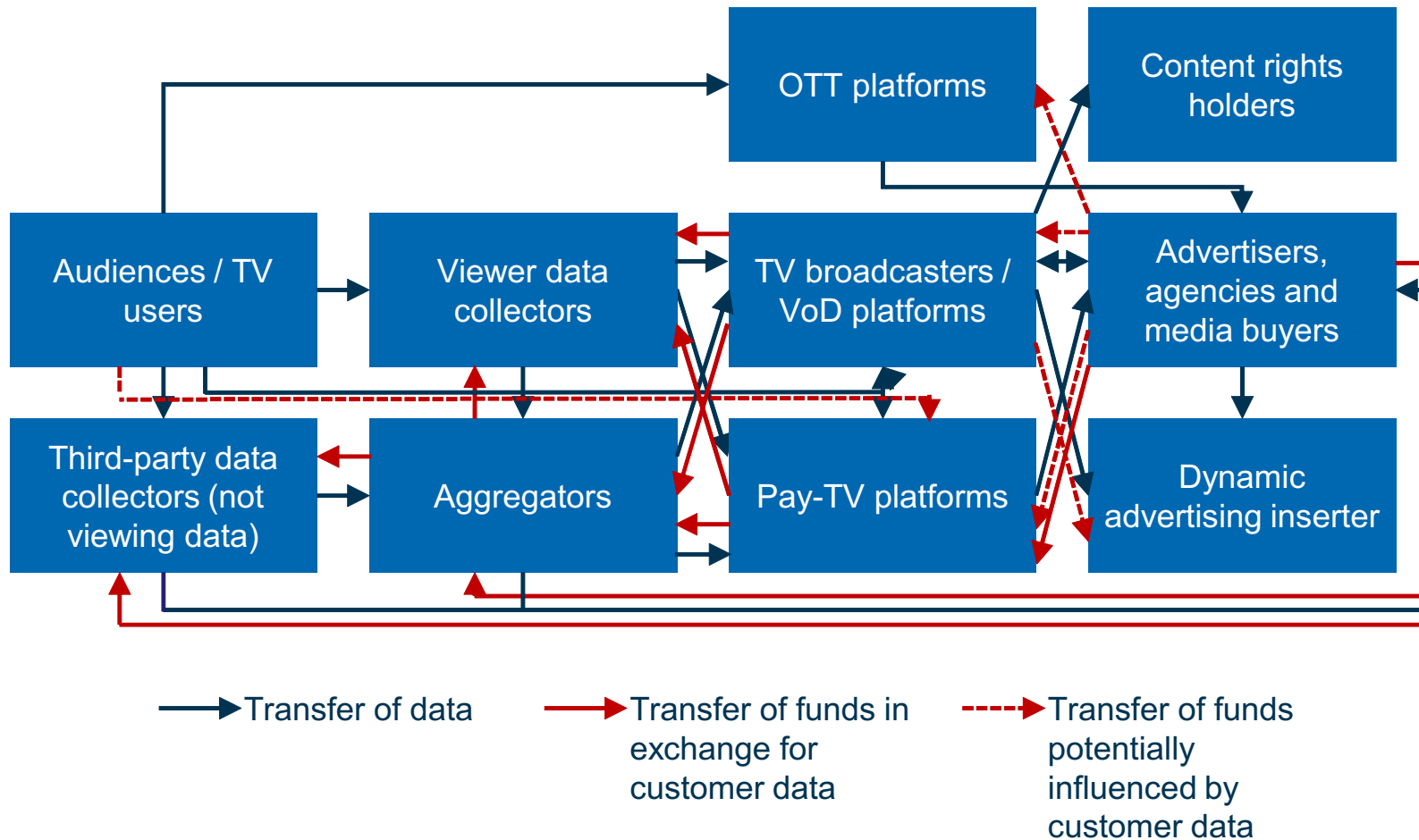
Common objectives in using consumer data

- Improve the quality of existing services, or their profitability
- Allow the development of new products and services that rely on customer data
- Support advertising and promotion of product and services

Different types of use in various sectors

- Audiovisual media: ad sales, personalised recommendations, commissioning and feedback
- Motor insurance: fraud prevention, risk assessment (*ex ante*, individual), risk modelling (*ex post*, aggregated), cross-marketing (including external)
- Telecoms: segmentation (price discrimination), traffic management, cross-marketing
- Gaming: yield improvement, targeting 'whales', ad sales

Complex value chains – example of AV media



Note: this is simplified and roles-based, and neglects different levels of vertical integration

Consumer concerns

- High awareness of data collection, but low awareness of mechanisms / use / value to firms, resulting in low trust / high mistrust (particularly in cases of *indirect* use)
 - Lots of evidence that privacy disclosures / policies are not useful to consumers
- Privacy as a fundamental right but evidence of ‘privacy paradox’
 - Linked to low WTP for currently ad-supported services?
- Evidence that control fosters trusts foster more sharing of data
 - Important for competition / new entry / innovation
 - Take-up of control tools is much lower than awareness of them

Consumer concerns = market failures?

- Some markets appear not to supply *enough* 'trust-generating goods'
- Consumers are not equipped to value their data fairly when traded in exchange for services
- Indirect use of data (by third party) exacerbate these issues (no direct value for consumer, complex / obscure collection and use)

A balancing act...

- Consumer and data protection rules cannot easily address competition issues
 - Consumer concerns are broad
 - Competition concerns are market- and context-specific
 - Rapid evolution and innovation

- Combination of data availability and processing creates value
 - Not appropriate to focus solely on one aspect
 - Unintended consequences: restricting new data collection can entrench incumbency / heighten barriers to entry

... and many questions

- Can regulation reduce market failures and incentivise markets to provide consumer-relevant goods (privacy, control, trust)?
- How to promote a 'virtuous circle' of consent → control → trust?
- Right approach to data protection (principles vs. rules)?
- Dimensions and means to promote awareness?
 - Important for trust, inclusion and informed consent
 - Information asymmetries and appropriate valuation of trade-offs

Thank you!

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