

# The New Media Business Model: When Customer Controls the Data

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## Abstract

The EU General Data Protection Regulation (GDPR) is the first step in the process of transferring data ownership back to the customers. This regulation brings major changes for any organization working with consumers and their data, or processing data about individuals in the context of selling goods or services to the citizens. This paper considers the case of a media company offering online content and discusses what are the implications of the data ownership by the customers for the media company's business model.

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## Introduction

On May 25 2018 the EU General Data Protection Regulation (GDPR) has been implemented. Its primary goals are to harmonize data privacy laws across Europe, to guard all EU citizens data privacy and protect them from privacy and data breaches and to change the way institutions operating in EU address data privacy (GDPR, 2018). This regulation brings major changes for any organization working with consumers and their

data, or processing data about individuals in the context of selling goods or services to the citizens. Major changes affect increased territorial scope (with extra-territorial applicability) of the regulation, penalties for non-compliance and requirement towards consent.

This new regulation brings both challenges and opportunities for the established and upcoming ventures. As noted by Acquisti (2010), economic trade-offs associated with consumer's data sharing and protection,

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exist for both consumers and organizations. The new data protection regulation enables consumers to obtain more power over their own data (Ng, 2018), hence changing the dynamics of the relationships between a consumer and a firm. However, currently only little research has examined the implications of the new data protection regulation, specifically, what consequences does it carry for organization's business models (Kemppainen et al., 2018).

This paper addresses the topic of changing business models in the context of online content services. The paper is structured as follows. First it discusses the concept of a business model and provides an overview of research on business models in online content services. Further, it presents a case of a new online content service provider. Then it considers the implications of the new rules on data ownership on business models of the firms in the online content field. Finally, it discusses implications, limitations and further research directions.

## Approach

Any enterprise either implicitly or explicitly employs a business model that articulates its logic and demonstrates how it creates and delivers value to its customers (Teece, 2010). The emergence of business model concept and the use of it since the mid-1990s was driven by several factors: the advent of Internet (Amit & Zott, 2001), rapid growth in emerging markets and interest in "bottom-of the pyramid" issues (Prahalad & Hart, 2002), the expansion of postindustrial organizations (Perkmann & Spicer, 2010), and interest in entrepreneurship development (Morris et al, 2005).

At a general level, the business model has been referred to as, for example, a framework (Afuah, 2004), a conceptual tool (Osterwalder et al, 2005), a statement (Stewart & Zhao, 2000), a representation (Morris et al, 2005), a pattern (Brousseau & Penard, 2006), a set (Seelos & Mair, 2007), or a story (Magretta, 2002). The variety of definitions provides possibility for multitude of interpretations on what actually represents or constitutes a business model (Wirtz et al., 2016). Largely business model defines a system of interdependent activities that transcends the focal firm and spans its

boundaries (Zott and Amit, 2010). At its core, a business model performs two important functions: value creation and value capture (Amit and Zott, 2001; Zott and Amit, 2010).

The business model of online content service providers can be considered to some extent resembling those of the platform operators offering diverse video content to the consumers. The examples range from free to use advertising-based Youtube to subscription-based Netflix, or pay-per-view iTunes. As Kemppainen et al. (2018) put it, platform operators can provide convenient and user-friendly access to content on their platform and generate revenue through advertising rents from advertisers, subscription and pay-per-use (Wirtz et al., 2010). In advertising and subscription-based revenue models, the key revenue drivers are the number of users and their propensity to pay. For personal data platform operators, Kemppainen et al. (2018) have identified two propositions as the foundation of creating revenue models, i.e. "no advertising" and "free for users" models. With regard to media business models, some authors (e.g. Anderson, 2009) have long argued for the end of paid content models, citing shift towards free access, changes in supply and demand, loss of physical form in content, ease of access, and shift to ad-supported content as major drivers of change. Indeed, as Macnamara (2010) notes, contemporary media users are unlikely to pay for content, which poses challenges for both incumbents as well as newcomers to media space. He also suggests several possible components of business models for the media firms in the new economy. One of them is based on targeted advertising, whereby three factors can increase the performance of targeted ads, namely trust, control over experience and justification of the personal data tracking for ad-related purposes (John et al., 2018). Another business model is associated with co-called attention economy that points at monetizing people's attention in the age of information overload. According to Macnamara (2010), in the latter model - which also could be called relevancy advertising - advertisers would pay a proportion of advertising fees - directly in cash or in credit points - to media users for their attention. Media users would also have an option to opt in or out of advertising and to select what categories of advertising that they would receive. Although some (Lichfield, 2018) have argued that attention economy

is currently on its tipping point and in the nearest future media space will experience proliferation of subscription-based or pay-per-view services, the new regulation on data ownership which essentially enables customers to control and monetize their personal data, may challenge this view.

The paper is structured as a single case study where it explores the business model of an online media company and discusses how the new regulations on data ownership affect the company's business model.

## Key Insights

1. Current and future business models of the online media companies will position the customer in the center of their activities.
2. With new regulations regarding the data ownership, processing and storage, the customers will have a possibility to gain access to and ownership over their online data and thus through the emerging monetization applications will be presented with the opportunity to monetize their data in a variety of ways, which will have affect on media space company's business model.
3. Monetization of the data will transfer from corporations towards users or it will be more justly distributed. Corporations will still continue monetize packaged and anonymized data.
4. With the establishment of digital identity own data monetization becomes possible and trackable, whereby distributed ledger technology - based identity solutions are likely to prevail.
5. Online media business model based on targeted advertising or sponsored content will shift towards enabling the users to exchange their data for online streaming services.

## Discussion and Conclusions

This paper presents a case of a new online content service provider. It considers how the new rules on data protection and ownership impact the business models of the firms in the online content field. The case company is a newcomer on the online content market offering online content to the users for free with targeted advertising or prevailing sponsored content revenue model. With new data protection regulations giving users access and control over their data, users get an opportunity to exchange their anonymized packaged data for free content.

An important issue that arises with the new data protection regulation concerns data ethics (Hand, 2018). The nature of data, the meaning of data ownership, trustworthiness of data and matters of privacy and confidentiality are at the core of the issue. With respect to ethics, the European Data Protection Supervisor considers that "better respect for, and the safeguarding of, human dignity could be the counterweight to the pervasive surveillance and asymmetry of power which now confronts the individual. It should be at the heart of a new digital ethics" (EDPS, 2015: 12). The implementation of rules and procedures with respect to digital data ethics shall become an integral part of a new media company business model.

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