



Consumers are feeding a huge part of the data economy, but the value transfer from consumers to big tech is poorly understood. This series of blogs examines this value transfer from several viewpoints: how do consumers create the data, how does big tech benefit from the data, what is the value of the data, and how can consumers participate better in the value they create.

Companies collecting and using consumer data – Google, Facebook, Amazon, Twitter among others - have astronomical market capitalizations. Consumers generate all that data with their actions. Yet consumers don't even understand all the ways they are handing over data and have no concept of the value they generate.

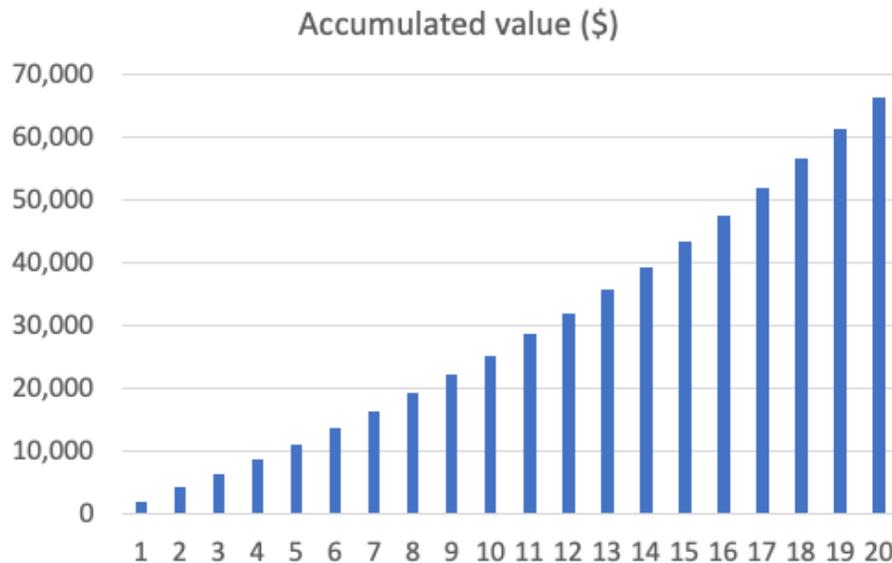
Consumers generate data in myriad ways,

- using web services such as search, e-mail, messaging and social media,
- installing IoT devices that stream data into the cloud
- using wearables that monitor their health data
- making online purchases
- using navigation systems that record where they are going
- asking voice assistants to act on their wishes



It's become almost impossible to take any action without creating digital data exhaust.

While the total value of people's data is hidden from them, it's easily more than \$1000 per person per year. That adds up! For a household of 2 people, investing it at a 5% would return \$25,000 after 10 years and \$66,000 after 20 years!

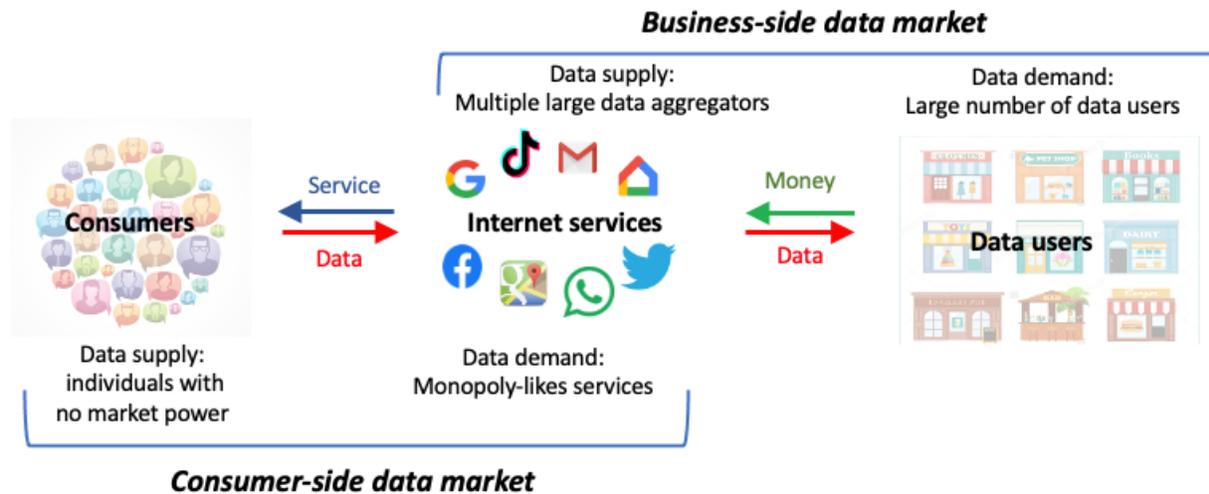


All that data ultimately ends up in the big data swamp, being bought, combined with other data, processed, used, and sold again, completely hidden from consumers.

Consumers receive some of the value using the services. The service providers, however, are harvesting the lion's share. Consumers also rarely find out that often, those data are used to their disadvantage. Consumer data is being used for price discrimination, service denial, job discrimination, and use of [dark patterns](#) to change their behavior. In addition to all these invisible uses, they suffer from the ubiquitous spam of junk mail, intrusive advertisements and robo calls.

### *The 2-sided business model isolates consumers from the value creation*

The [2-sided business model](#) used by these service companies effectively splits data markets: the business-side market and the consumer-side market. As many of the companies collecting the data have reached near monopoly status, consumers have little leverage to participate in its value.



The **business-side data market** is fairly balanced, with multiple suppliers and a large number of users. Demand is driving supply, and the market appears to operate effectively. Companies making extensive use of consumer data have experienced dramatic increases in market capitalization, underscoring the value they derive from that data. Classical economists declare the services to be [free digital goods](#), and the value consumers receive to be [consumer surplus](#). In doing so, they ignore the value consumers return to the service providers in the form of their data. In classical economics, goods and services are sold at the marginal cost of producing them. With digital services, [the marginal cost is effectively zero](#). This creates barriers to entry, leading to [monopolies](#).

The **consumer-side data market**, in contrast, is completely unbalanced. There is no practical market role for consumers regarding their data. Consumers exchange data for services and receive no money in this exchange. Internet services have become life necessities. The monopolistic market position of service providers allows them to adopt a take-it-or-leave-it posture, as expressed in their terms of service.

Please check back for a detailed examination of the consumer-side of the data market!

- *Part I: Feeding the data swamp* - a review of the **ways consumers give up their data**.
- *Part II: Extracting value from the data swamp* – a look at **how businesses derive value** from consumer data.
- *Part III: How much value are you giving away?* - a survey of **indicators of consumer data value**.
- *Part IV: Letting consumers share the value of their data* – an exploration of some ways in which **consumers could share more directly in the value** they generate with their data.