

Chair of Mobile Business & Multilateral Security

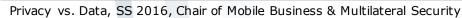
Privacy vs. Data: Business Models in the digital, mobile Economy

Lecture 5 The "Big Four" in the Digital Economy

SS 2016

Dr. Andreas Albers





Case Study Structure

mobile business

- Google
- Facebook
- Apple
- Amazon
- Disruptive Business Models
- Conclusion





Structure of Case Studies

- Business Model
 - Value Proposition
 - Architecture of Value Creation
 - Revenue Model
- Personal Data
 - User Identification
 - Data Collection
 - Data Processing
 - Data Usage
 - Privacy Risk
- Privacy Protection



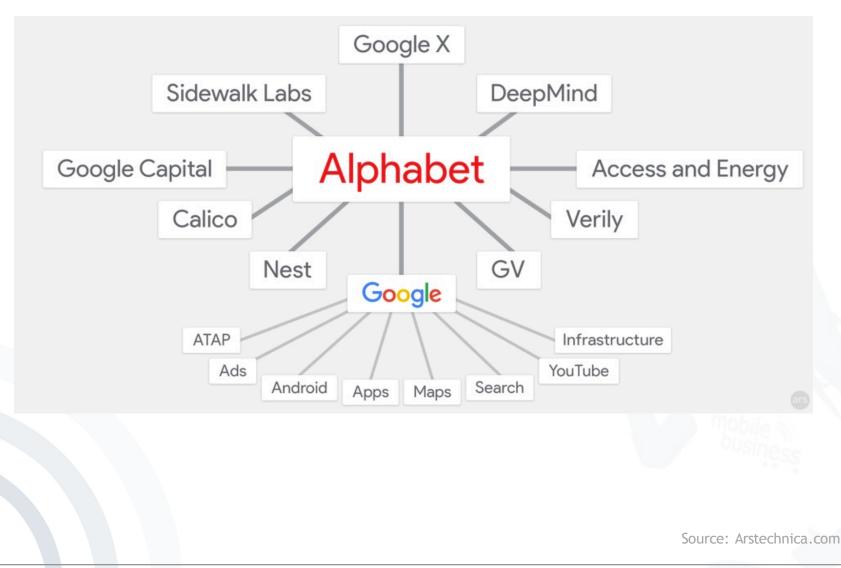


- Case Study Structure
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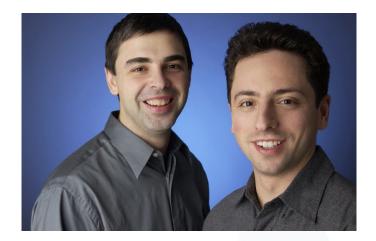
Alphabet / Google





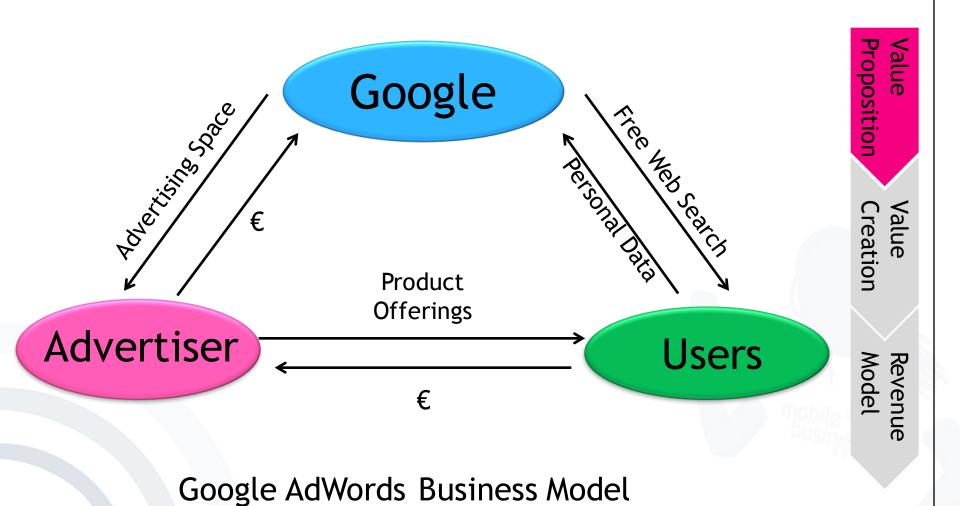
Google Search Engine

- Founded on 4th September 1998 by Larry E. Page and Sergei M. Brin
- "Google's mission is to organize the world's information and make it universally accessible and useful" (Google)



- Core competence and revenue stream is "Web Search"
- Some figures ...
 - Revenue in 2015: \$ 74,5 billion (Google Inc. 2016)
 - Profit in 2015: \$ 23,4 billion (Google Inc. 2016)

MobileValue Proposition of GoogleSearch in
businessa Two-sided Market



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Business Model Value Proposition (1)

- Benefit for Users
 - Free Web Services, e.g.
 - Search, Video, Mail
 - Docs, Browser
 - Social Networking
 - ...
 - Search Web Services are OS-independent, cloud-based, collaboration-enabled, ...



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Proposition

Creation

Revenue Model

Value

Valu

Business Model Value Proposition (2)

- Value for Advertisers (Customers)
 - AdWords (Keyword Targeting), incl. data on
 - Search Query
 - IP Location
 - Language

mobile business

- AdSense (Context/Content-based Targeting)
 - Website related
 - User Interest related
 - Used outside the Google services



Business Model Value Proposition (3)

AdWords Examples

1 96 %

Location-based Advertising in Google Maps (iPhone)

17:26

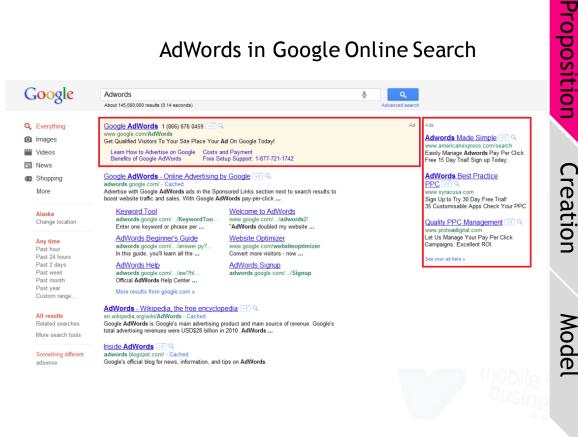
💶 Telekom.de 🛜

mobile

business







Value

Value

AdSense Example



(and have all family members do the same), it will make washing them a lot easier. No one likes trying to wash dried food off of dishes.

*Tackle the Small Jobs: Housework can be overwhelming. Learn to break it down and tackle the smaller jobs first. As you do, each job will become easier. Also, if you clean the small messes before they get big, it'll be a lot easier to clean up.

Source: onlineincomelab.com/



Carpet & Upholstery Cleaning Water/Smoke/Fire Restoration www.jwclosningsedrestoration.com

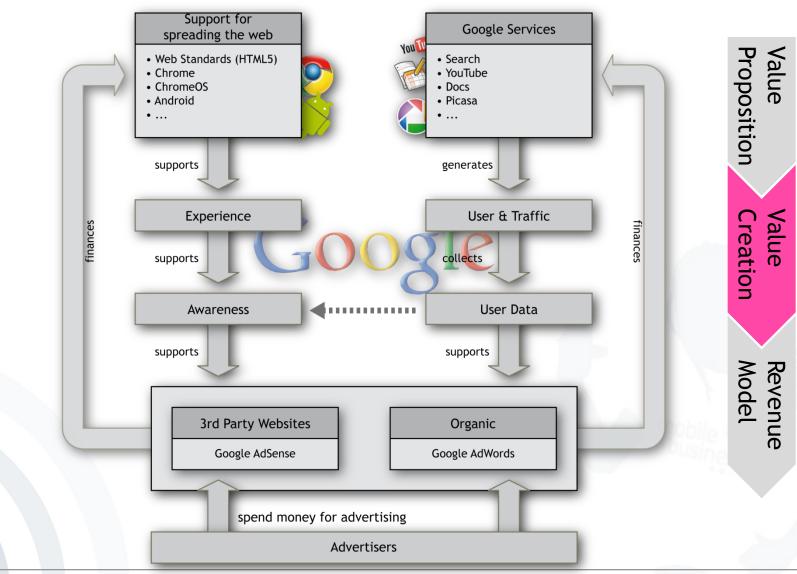
< > AdChoices D

Business Model

Value Proposition (4)



mobileBusiness ModelbusinessArchitecture of Value Creation



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Business Model Revenue Model (2)

- AdWords Auction (high-level perspective)
 - Bid x Quality score
 - Quality score = Click-Through Rate x Landing Page Quality x Landing page Load Time x Geographical Considerations x Ad Content vs. Keyword Relevance
- Cost per Click, per Acquisition, per View
 - Google charges the bid amount of the auction winner

Model

Revenue



Business Model Revenue Model (3)

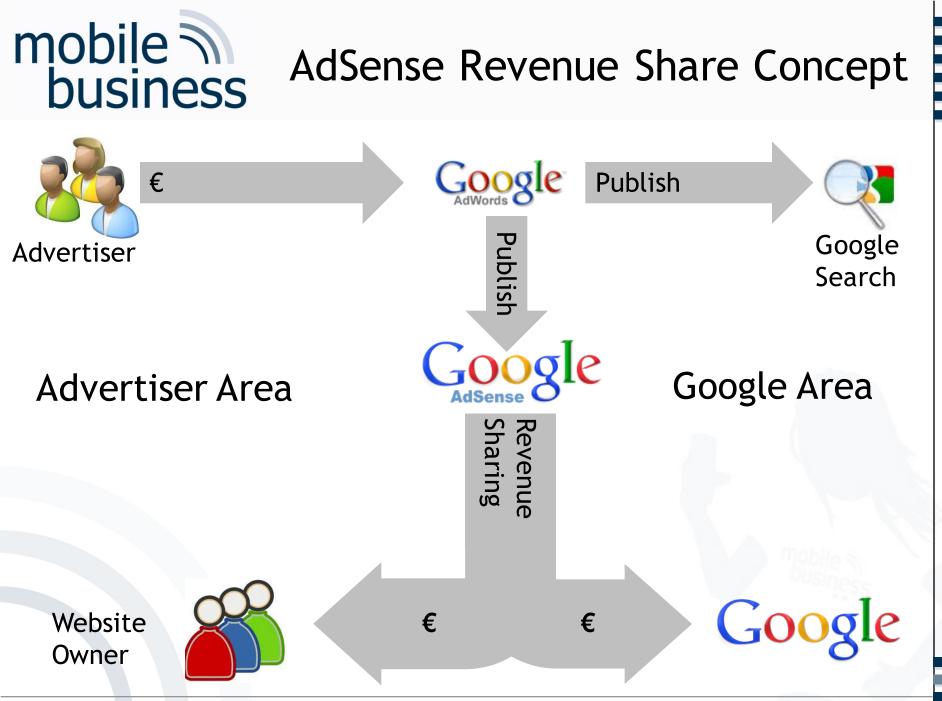
AdSense: Revenue Sharing

- Website owners integrate Google advertisements into their own website
- Every time an advertisement is displayed or clicked, Google charges the advertiser
- This revenue is shared between advertisers and Google

Proposition Valu Creation

Value

Mode Revenue



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Personal Data: User Identification

- Google User Account
- Cookies (expire after a certain period of time)
 - On own services
 - On Third Party websites connected via Google Analytics or Google AdSense
- IP address (gets anonymised after certain period of time)
- Unique identifiers in
 - Mobile OS, mobile devices, mobile apps, ...

Personal Data: Data Collection

- Notebook usage (Chrome OS)
- Mobile device usage (Android)
- Online communication (e.g. Gmail, Google Voice, Hangouts)
- Physical movement data (e.g. Maps, GPS)
- Online browsing (e.g. Google Analytics, Web Search)
- Translate Services (e.g. Translate)
- Personal Assistants (e.g. Ok, Google)
- Social context data (e.g. Google Plus)
- Other (e.g. Google DNS)



Personal Data: Data Processing Example

Google Ads Settings

Google				
Ads Settings				
Settings for Google ads				
Ads enable free web servic	es and content. These settings help cor	trol the types of Google ads you see.		
	Ads on Google	Google ads across the web 💿		
	Search	Google ads across the web YouTube		
Gender	N/A	Unknown Edit Based on the websites you've visited		
Age	N/A	Unknown Edit Based on the websites you've visited		
Languages	N/A	German Edit Based on the websites you've visited		



Personal Data: Data Processing Example (cont'd)

Google Ads Settings (cont'd)

Interests

N/A

Computers & Electronics, and 8 more Based on the websites you've visited

Your activity on websites is used to serve interest based ads

These categories can only control some of the Google ads you see. For instance, the interests listed here do not reflect ads selected based on a visit to a specific advertiser's page (remarketing) or ads selected by other advertising providers and delivered by Google's ad platforms. How it works.

Interest	From your activity on	
Computers & Electronics	Websites	
Fitness	Websites	
Fitness Equipment & Acce	essories Websites	
Mobile & Wireless	Websites	
Online Communities	Websites	
Smart Phones	Websites	
Social Networks	Websites	
Software	Websites	
Sports	Websites	
ок		
Opt-out settings	Opt out of interest-based ads on Google Opt web	out of <i>interest-based</i> Google ads across the







Personal Data: Data Usage Expamles

- X
- Targeting of Advertising (e.g. Adwords, Adsense, YouTube, Gmail, etc.)
- Forecasting current and future needs of users
- Improving existing products and services

Privacy Risks for Individual Users

- Collected personal data could be
 - transferred to Third Parties
 - unwillingly disclosed to other individuals (e.g. photos on Google Plus)
 - used for surveillance
 - Location Profiling,
 - Internet tracing (e.g. IP address) or
 - GPS tracking
 - used for any other kind activities (e.g. manipulation/influencing of individuals)



Privacy Protection @ Google

- Google Dashboard
- Opt-out of Ad Personalisation
- Encrypted Search
- Google Analytics Opt-out
- Search Personalisation Opt-out
- Off the record of chats
- Street View Blurring
- Unlisted and Private Videos on YouTube
- Web History Controls



Google Dashboard - Personal Data Management

Google		
Google- contoeinstellungen Goog	le Dashboard	
] Ich möchte monatlich daran erinne	ert werden, meine Kontoaktivität zu überprüf	ien. () 🛄 Alle einblenden
Konto		
Name	Primäre E-Mail-Adresse	Konto verwalten Passwort ändern Verbundene Apps und Websites
AdSense		Keine interessanten Informationer
Analytics		
Konten 3	Aufrufe 5	Einstellungen Datenschutz
📫 Android		
Geräte 1		Aktive Geräte verwalten Geräte im Play Store
Chrome-Synchronisier	ing	
Lesezeichen 212	Letzte Synchronisierung am 11.04.2015	Chrome-Synchronisierung verwalten
😑 Cloud Print		Keine interessanten Informationer
M Gmail		
Konversationen 7.564	Zuletzt LoL - Zero Skill Union	Chatprotokoll verwalten Einstellungen Datenschutz und Sicherheit
🦪 Google Alerts		
Meine eingerichteten Alerts 1		Alerts verwalten Hilfe

•	Google Aufgabenplaner Aufgaben O	Abgeschlossene Aufgaben 1	Über Aufgabenplaner
•	Google Docs Eigene 5 Dokumente	Für mich freigegeben O Dokumente	Dokumente verwalten Dokumente teilen
•	Google Fotos Alben 2	Fotos 2	Einstellungen Datenschutz Hilfe
•	Standardstandort () Keine	Gespeicherte Standorte 2	Google Maps-Profil verwalt Meine Orte verwalten
•	Google Sites Meine Websites 1	Für mich freigegeben 849.356 #22	Websites verwalten Hilfe
	Google Talk Kontakte 12		Über Google Talk Hilfe
•	8. Google+ +1 6 ##	Google+ Seiten 2 ##	Profil bearbeiten Kreise bearbeiten Beiträge
Þ	31 Kalender Meine Kalender 1 Kalender	Zeitzone (GMT+01:00) Berlin	Kalender ansehen Kalender verwalten Mobilgeräte verwalten
F	Kontakte Alle Kontakte 158	Meine Kontakte 74	Kontakte verwalten

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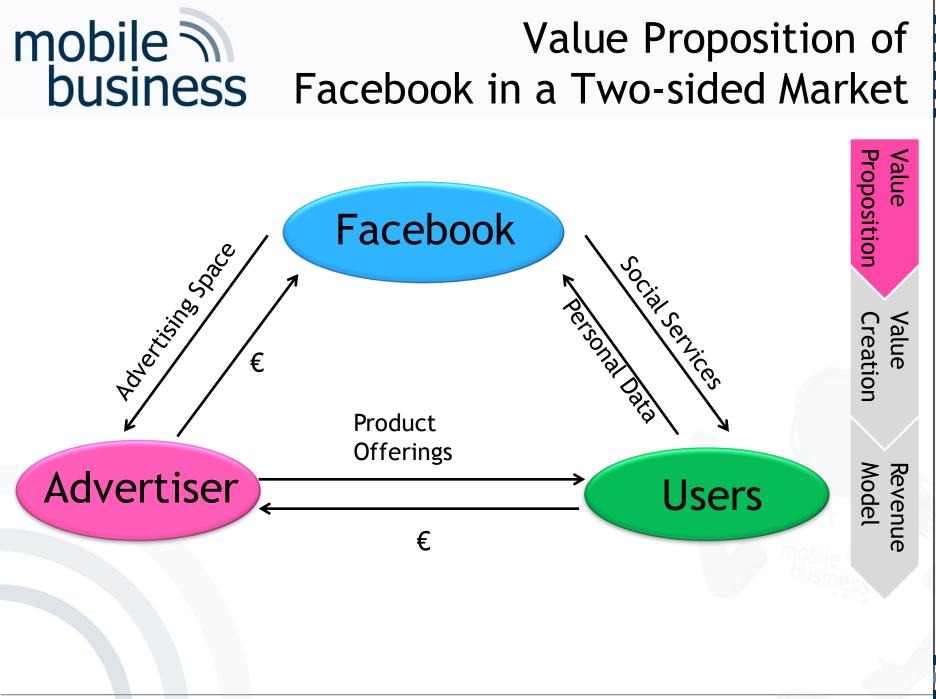




Facebook Inc.

facebook.

- Founded on 4th February 2004 by Mark Zuckerberg as TheFacebook at the Havard University
- "Facebook's mission is to give people the power to share and make the world more open and connected" (Facebook)
- Core competence in the provision of social networking services
 - Complementary services like messages and games were added later
- Core business revenues generated by advertising, especially banner ads
 - Facebook had the highest share of banner ads in the U.S. (September 2010)
- Some figures
 - Revenue in 2015: \$ 17,9 billion (Facebook 2016)
 - Profit in 2015: \$ 3,7 billion (Facebook 2016)





Business Model Value Proposition (1)

- Benefits for Users
 - Free sharing of content and staying connected with your friends
 - Free social network services complemented by
 - Games, Messenger, Facebook M, Virtual Reality

facebook

- Apps, Open Graph (Connect)
- Facebook Places, Video chat, Calendar

oculus



Value

Value Proposition

Valu

Creation

Revenue Model

mobile business

Business Model Value Proposition (2)

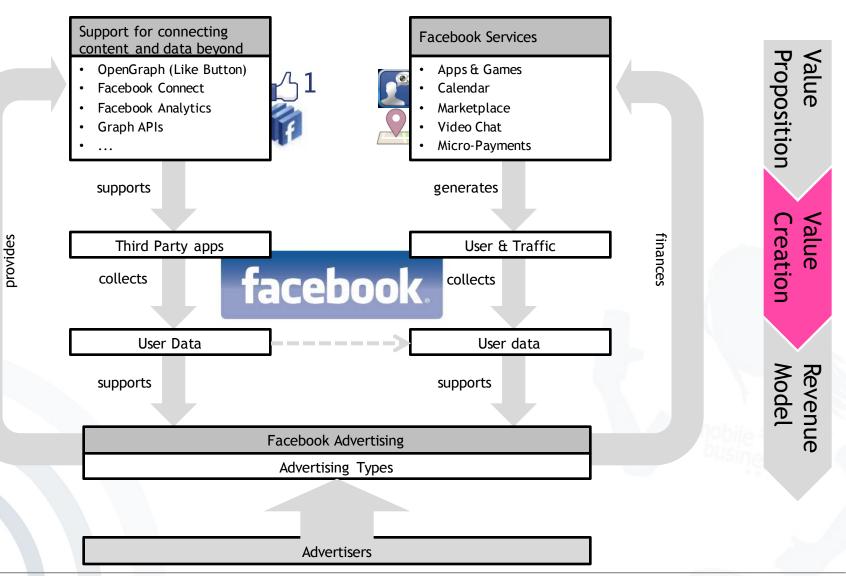
- Value for Advertisers
 - Advertising based on
 - User demographics, e.g.
 - Age, gender, location,
 - Connections, relationship status, birthday,
 - Education level, workplace, language, interests, ...
 - Searched Keywords
 - User behavior collected through "Like" buttons
 - \rightarrow Micro-Targeting capabilities

Business Model Value Proposition (3)

mobile business

Fracebook Email Password Legin						
Sign Lip for Facebook	facebook 🤽 💻 🏵 🛛 Search	٩.	Home	Profile	Find friends	Account -
Ð		Kelly CarterWallInfoPhotos+				
					Create an Advert	
	The Design	What's on your mind?			Play Bingo at	×
		Attach: 📵 😪 🗈 🕤	▼ Shar	е	888ladies	
	Edit My Profile		Q Opt	ions	£8,888	
	Carry Prone	RECENT ACTIVITY	•	_	JACKPO	641
	Write something about yourself.	Relly listed Daniel Carter as her brother. · Comment · Like		_		
		ξ ₁ Kelly is now friends with Rosy Rizzo and 2 other people.		_	Register to 888Lac and Get £5 Free +	£20 Free
	Information /			_	on your 1st deposi Now!	t, Join
	Relationship Status: Engaged	() Kelly changed her Profile picture.			13 lite	
	Birthday:	Kelly is engaged. · Comment · Like		1	Cambridge We Dresses	dding ×
	24 February 1983 Current location:	🖞 Daniel Carter likes this.				
	Cambridge, United Kingdom	Write a comment				
	Hometown: Cambridge, United Kingdom					
	Friends /	Kelly Carter golden EGGS!			Need to Find a Loc Dress specialist? Tr	v Clare
	443 friends See All	22 April at 15:33 · Comment · Like			Louise Brides & Ma Cambridge!	ids in
		Kelly Carter only on angry birds I hope			🖒 Like	

mobileBusiness ModelbusinessArchitecture of Value Creation



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Business ModelbusinessAcquisition of Instagram, TagTile & WhatApp

acebook Buys Instagram For \$1 illion, Turns Budding Rival Into Its

FOPICS APPLE FACEBOOK GOOGLE ANDROID DISRUPT NYC HACKATHON

I CONSTINE AND KIM-MAI CUTLER

tandalone Photo App

day, April 9th, 2012



Facebook has just finished a deal to acqui mobile photo sharing app Instagram for approximately \$1 billion in cash and stock. Instagram will remain an independently bra standalone app that's separate from Facet but the services will increase their ties to ex other. The transaction should go through th quarter pending some standard closing procedures

258 Con

Last year, documents for a standalone Facebook mobile photo sharing app we attained by TechCrunch. Now it seems Fac would rather buy Instagram which comes u built-in community of photographers and pl lovers, while simultaneously squashing a th

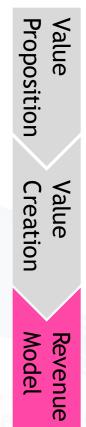


- 33% of Facebook's traffic originates from mobile devices (newsroom.fb.com)
- Mobile Advertising is a challenge for Social Networks
- Instagram can help to learn more about user's mood and context.
 - TagTile builds a bridge to local advertising business.
 - WhatApp as the major messenger in the mobile world, whose acquisition removes competition and gains users as well as most valuable mobile data (e.g. phone numbers)



Business Model Main Revenue Model

- Auctioning of Advertising Space (Example)
 - Bid x Click-Through-Rate/Impressions x Quality
 - Quality = OpenGraph Results x Country x Ad Relevance to profile x Page Quality
- Pay-Per-Click (PPC) Model
 - Facebook gets the bid amount of the auction winner (advertiser) - if an ad is clicked by a user
- Pay-Per-Impression (PPI)
 - Facebook gets a predefined amount per thousand impressions



Personal data User Identification

- Facebook account
 - Name, user name, eMail, IDs, etc.
- User pictures
 - Face recognition
- Cookies

mobile business

- For own services
- for Third Party websites connected by OpenGraph
- Browser Fingerprinting?



Personal data Data Collection

Social-Interaction Data

mobile business

- Social connections (e.g. friends list, family relations, etc.)
- Interests (e.g. user profile, fan page likes, clicked ads, gaming, posts, etc.)
- Education and job related data (taken from user profile)
- Hobbies (taken from user profile)
- Communication behaviour (e.g. video chat, comments, etc.)
- Location-based data
 - Facebook places, Facebook location tracking, Instagram etc.
- User Transactions via Facebook
 - Market-place, user micro-payments to app providers
- Other Online behavioural data (FB site tracking, Open Graph (Like Buttons), etc.)



Categories:

Search categories PARTNER CATEGORIES

> Cereal Buyers Children's Cereals

Fiber Cereals Hot Cereals

Dairy & Egg Buyers

Frozen Food Buyers

FACEBOOK BROAD CATEGORIES

Children's Food & Product Buyers

Condiments & Dressings Buyers

mobile business

Personal data Data Processing (1)

- From the collected data, Facebook extracts and categorises user attributes relevant for advertising
- Facebook Category Targeting Manager (by Facebook Studio)

14,802,500 people

months

Description: People who are heavy buyers of children's cereal.

Details: People who spend 3 times or more than the national average based on volume

unit spend in the children's cereals category and have actively purchased over the last 12

Source: Loyalty card and transaction-level household purchase data with multi-channel

Partner Categories > Datalogix > DLX CPG >

coverage across all product categories.

		Cereal Buyers > Children's Cereals				
Categories:	Search categories					
	PARTNER CATEGORIES	5,851,400 people				
	DLX Auto powered by Polk					
	 Aftermarket 	Description: People who are likely to buy a entry, economy or compact				
	 In Market 	vehicle in the next 180 days.				
	▼ Body Style					
	Crossover Vehicle	Details: Derived from over 350 data points on historical vehicle purchase patterns of				
	Entry/Economy/Compact	likely entry, economy, or compact vehicle buyers. Data collected from all 50 states?				
	Full-Size Sedan	DMVs, OEMs and dealers.				
	Full-Size SUV	Source: Multi-sourced, U.S. consumer				
	FACEBOOK BROAD CATEGORIES	geographic, demographic and area-level vehicle characteristics. Validated using actual				
		vehicle registration data.				
		ļ				
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Personal data Data Usage



- "We use the information we receive about you in connection with the services and features we provide to you and other users like your friends, the advertisers that purchase ads on the site, and the developers that build the games, applications, and websites you use. For example, we may use the information we receive about you:
 - as part of our efforts to keep Facebook safe and secure;
 - to provide you with location features and services, like telling you and your friends when something is going on nearby;
 - to measure or understand the effectiveness of ads you and others see;
 - to make suggestions to you and other users on Facebook, such as: suggesting that your friend use our contact importer because you found friends using it, suggesting that another user add you as a friend because the user imported the same email address as you did, or suggesting that your friend tag you in a picture they have uploaded with you in it."

(Facebook, 2011)

Privacy Risks for Individuals

- Collected personal data could be
 - transferred to Third Parties
 - unwillingly disclosed to other users (e.g. photos on Facebook)
 - used for surveillance
 - Location Profiling,
 - Internet tracing (e.g. IP address) or
 - GPS tracking
 - used for any other kind activities (e.g. manipulation/influencing of individuals)

Facebook Privacy Protection

Types of Privacy Protection



- Privacy Protection towards other individuals in Facebook (e.g. Facebook friends)
- Privacy Protection towards Third Parties (e.g. Facebook apps)

- Privacy Protection towards Facebook itself
 - Is this possible if an individual ...
 - is a Facebook member?
 - is a non-Facebook member?

Facebook Privacy Protection (Individuals/Third Parties)



📌 General	Privacy Settings and Tools				
Privacy	Who can see my stuff?	Who can see your future posts?	Friends	Edit	
 Timeline and Tagging Blocking Notifications Mobile Followers 		Review all your posts and things you're tagged in		Use Activity Log	
		Limit the audience for posts you've shared with friends of friends or Public?		Limit Past Posts	
	Who can contact me?	Who can send you friend requests?	Everyone	Edit	
	_	Whose messages do I want filtered into my Inbox?	Basic Filtering	Edit	
Apps Ads Payments	Who can look me up?	Who can look you up using the email address you provided?	Friends of Friends	Edit	
Support Dashboard Videos		Who can look you up using the phone number you provided?	Friends	Edit	
		Do you want other search engines to link to your timeline?	No	Edit	



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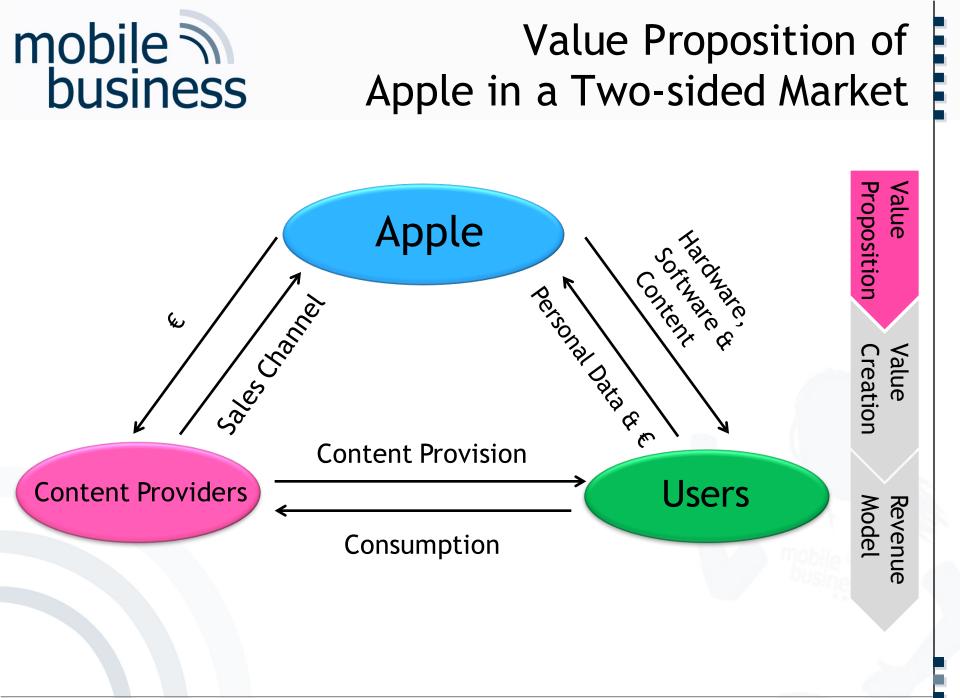






- Founded on 1st April 1976 by Steve Jobs, Steve Wozniak and Ronald Wayne as Apple Computer in Los Altos, California
 - Until 1985, Apple I and Apple II dominated the personal computer market.
 - In 2003, Apple entered the music market, introducing the iPod and iTunes Store
 - In 2007, Apple has revolutionised the mobile phone market with the iPhone. Other mobile devices such as iPad or Apple Watch followed in the next years
- Today, Apple's core business is selling hardware, software and contents complemented by its iAds platform
- Some figures
 - Revenue (in 2015): \$ 233,7 billion
 - Profit (in 2015): \$ 53,4 billion

Source: telegraph.co.uk





Business Model Value Proposition (1)

- Benefits for Users
 - Content
 - Movies, TV shows, music, etc.
 - Hardware Devices
 - iPhone, iPad, Apple TV, iPod, Watch
 - MacBook, iMac, displays
 - Software
 - OS, Office, Mobile Apps, etc.
 - Complementary OS integrated services
 - iCloud, Apps Store,
 - iMail, iCalendar
 - iTunes Music Match



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Value

Proposition

Creation

Revenue Model

Valu

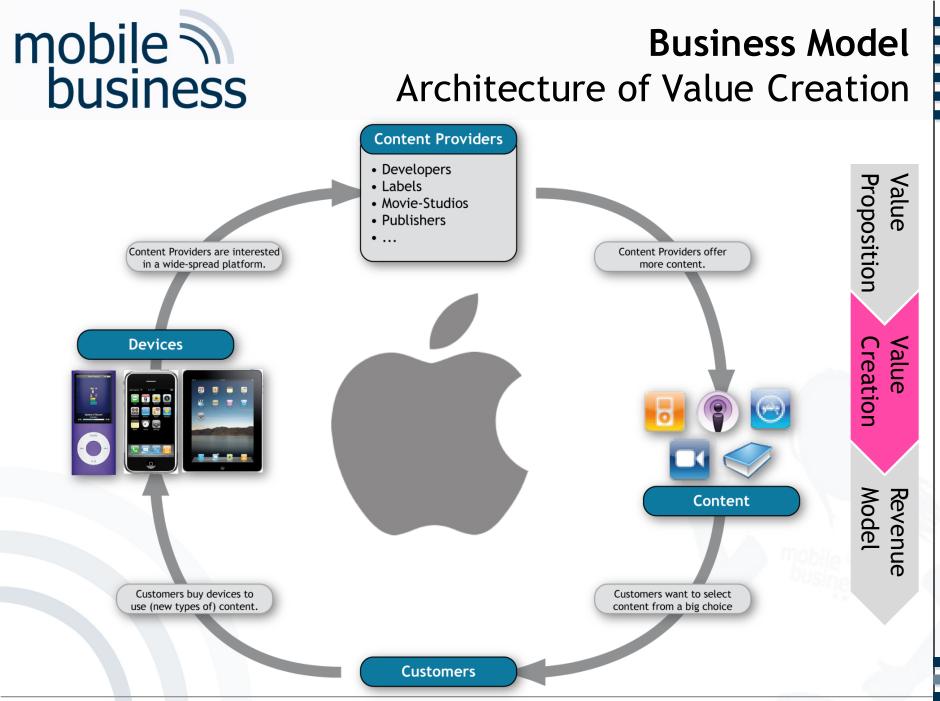
Business Model Value Proposition (2)

- Value for Content Provider/Advertisers
 - Sales Channel incl.
 - Promotion system
 - Payment system
 - Infrastructure (e.g. storage & distribution)
 - ...

mobile business

- Advertising Platform (for Advertisers)
 - iAds Infrastructure
 - User contacts





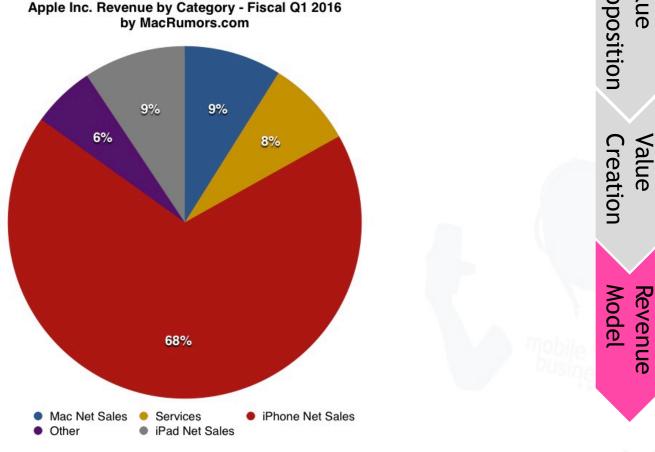
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Business Model Revenue Model (1) Main Source: iPhone Sales (Q1/2016) Value Proposition



46

Revenue





Business Model Revenue Model (2)

High margin phone business ...

Preliminary Bill of Materials (BOM) Estimate for the Major Subsystems in the iPhone 4S (in ILS, Dollars)

(in u.s. boliars)			
		4 S	4
	16GB	32GB	64GB
Retail Price w/Contract	\$199	\$299	\$399
Total BOM Cost	\$188	\$207	\$245
Manufacturing Cost	\$8	\$8	\$8
BOM + Manufacturing	\$196	\$215	\$254
Major Cost Drivers			
Memory			
NAND Flash	\$19.20	\$38.40	\$76.80
DRAM (DDR / DDR2)	\$9.10	\$9.10	\$9.10
Display & Touch Screen			
Display	\$23.00	\$23.00	\$23.00
Touch screen	\$14.00	\$14.00	\$14.00
Processor	\$15.00	\$15.00	\$15.00
Camera(s)	\$17.60	\$17.60	\$17.60
Wireless Section - BB/RF/PA	\$23.54	\$23.54	\$23.54
User Interface & Sensors	\$6.85	\$6.85	\$6.85
WLAN / BT / FM / GPS	\$6.50	\$6.50	\$6.50
Power Management	\$7.20	\$7.20	\$7.20
Battery	\$5.90	\$5.90	\$5.90
Mechanical / Electro-Mechanical	\$33.00	\$33.00	\$33.00
Box Contents	\$7.00	\$7.00	\$7.00
Source: IHS iSuppli October 2011			

Source: IHS ISuppli October 2011

iPhone 4S without contract (16GB, 32GB, 64GB): \$649, \$749, \$849.

Revenue

Personal Data: User Identification

Apple ID

business

mobile

- Product serial number
- Cookies
- IP-address
- Unique identifier in
 - Browser
 - OS, Mobile Device
- Required user information during device set up (e.g. phone number, address, bank account)



Personal Data: Data Collection

- Observed Behavioural User Data
 - Entertainment consumption (e.g. iTunes Store)
 - News (e.g. Newstand)
 - Notebook usage (MacBooks)
 - Mobile device usage (iPhone, iPad)
 - Communication (e.g. iMessage)
 - Browsing (e.g. Mobile Safari)
 - (Real-time) Location-based data (e.g. GPS, Maps)
 - Voice data (Siri)
 - Communication data (e.g. iCloud Mail)
 - Calendar data (e.g. iCloud Calendar)



- From the collected data, Apple generates users profiles which serve to foster its business
 - Content consumption preferences
 - Favourite mobile apps
 - Devices owned by a user
 - General communication habits

Raw

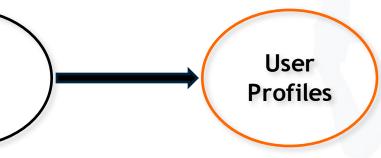
User

Data

Profiles for targeted ads









- Improve existing products and services, e.g.
 - by allowing iOS to run certain background services
 - Theses services were selected for the analysis of mobile app usage
- Content promotions and recommendations
 - (e.g. iTunes Store, MacOS Apps Store)
- Targeting of Advertisement in the iAd System
 - Based on installed mobile apps on an iOS device







Privacy Risks for Individuals

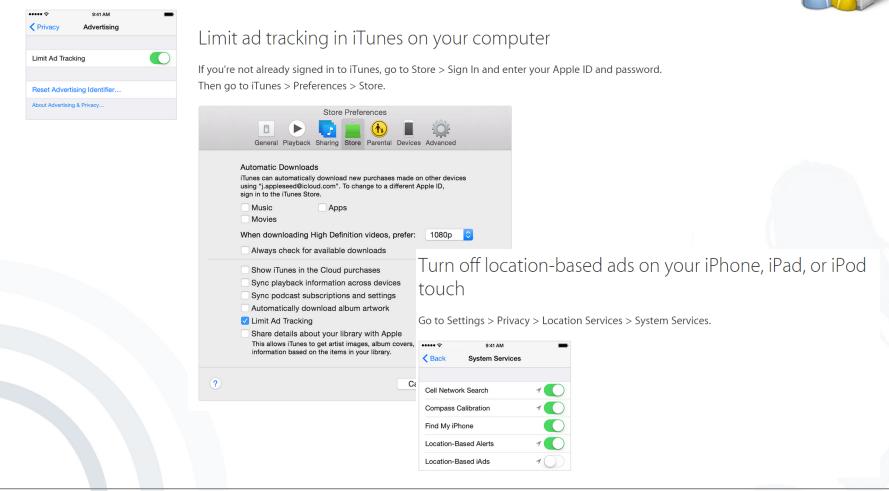
- Collected personal data could be
 - transferred to Third Parties
 - hacked and misused (e.g. credit card details of customers)
 - used for surveillance
 - Location Profiling,
 - Internet tracing (e.g. IP address)
 - communication tracking
 - used for any other kind activities (e.g. manipulation/influencing of individuals)
- → Apple is (theoretically) able to collect data about virtually almost any aspect of the online behaviour of individuals



Privacy Protection Apple's "Ad Opt Out" Options

Limit ad tracking on your iPhone, iPad, or iPod touch

Go to Settings > Privacy > Advertising.





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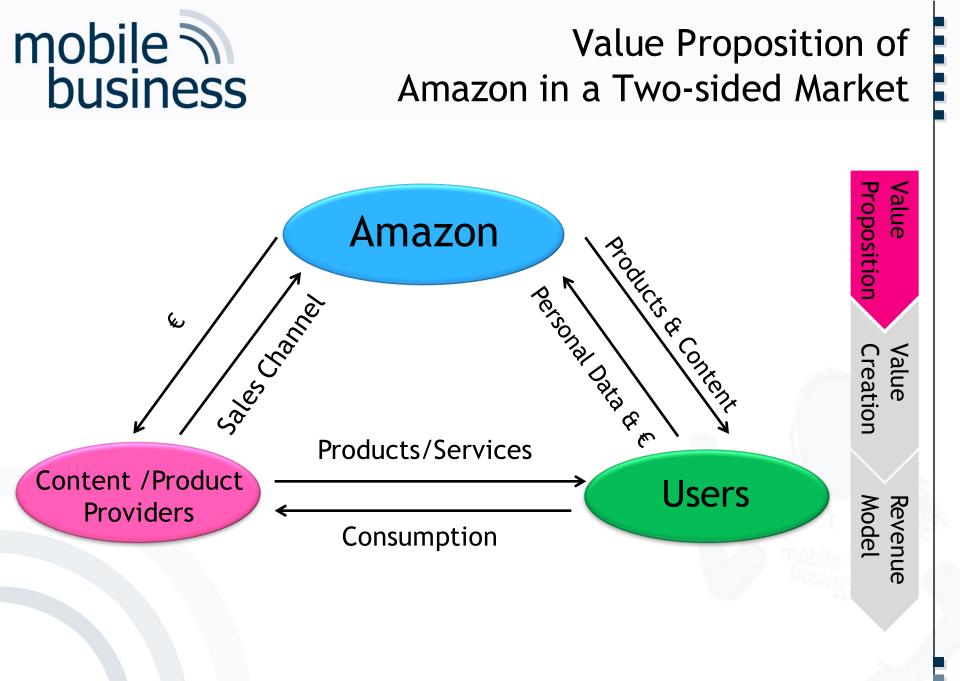
Amazon.com Inc.

amazon.com

- Founded in 1994 by Jeff Bezos in the state of Washington, USA.
 - At first only an online bookstore
 - In that time the core competence was selling books and offer far more titles than offline bookstores
 - During the last years Amazon has merged and acquired a lot of companies to expand their business to other categories (e.g. electronic staff, music, etc.)
- Today, Amazon is the world's largest online retailer, Cloud service provider and Marketplace provider
- Some figures
 - Revenue (in 2015): \$ 107 billion
 - Profit (in 2013): \$ 596 million

Source: variety.com







Business Model Value Proposition (1)

ama

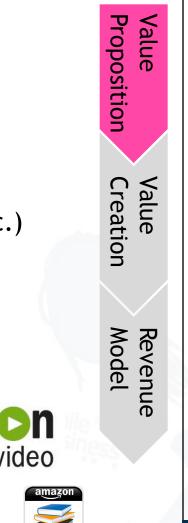
Value for End Customers

- Services
 - Shopping Platform with many categories
 - Amazon Publishing
 - eContent (music, e-books, video streaming, etc.)
 - ••••
- Products
 - Amazon Kindle
 - Amazon Fire Phone, TV, Tables, ...









Business Model Value Proposition (2)

- Value for Product & Content Providers
 - Sales Platform

mobile business

- Payment Services
- Infrastructure Services
- Promotional Offerings
- Marketplace for Third Party Vendors
- Multi-Channel Approach



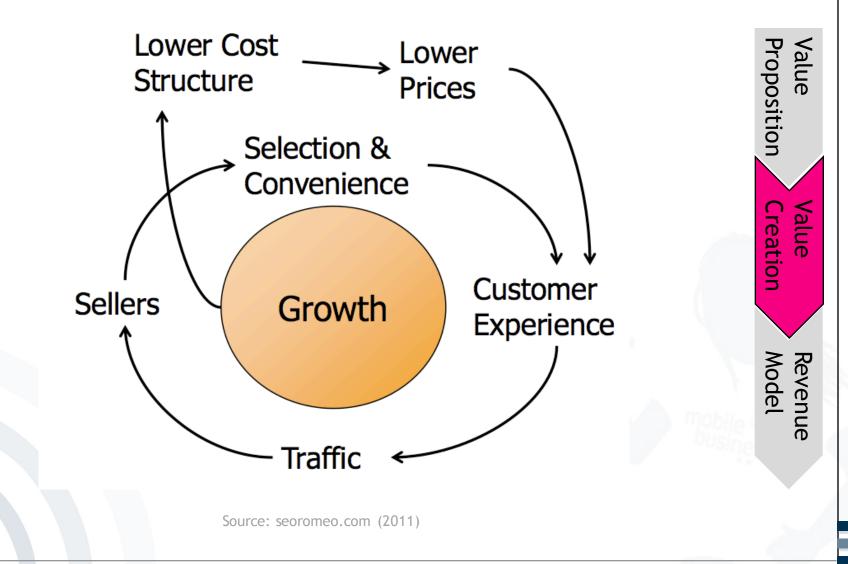
marketplace

Value Proposition





Business Model Architecture of Value Creation



Business Model Architecture of Value Creation Example (cont'd)



See larger image Share your own customer images Without You (Feat. Usher)

David Guetta - Usher | Format: MP3 Download From the Album Nothing But The Beat

Be the first to review this item

Price: \$0.99

Original Release Date: August 29, 2011 Format - Music: MP3 Compatible with MP3 Players (including with iPod®), iTunes, Windows Media Player



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мрз	Song			
	Song Title		Artist	
►	Without You (Feat. Usher)		David Guetta - Usher	
	Sold by Amazon Digital Services, Inc Additional taxes may apply. By placing your order, you agree to			

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 We Found Love Rihanna |
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You Make Me Feel... (Feat. Sabi) Cobra Starship | Format: MP3 Down... (4) \$0.99



Sorry For Party Rocking (Amazon MP3 D... Lmfao | Format: MP3 Down...



In The Dark Dev | Format: MP3 Download



Hands All Over [+Digital Booklet] Maroon 5 | Format: MP3 Download

Privacy vs. Data, SS 2016, Chair of Mobile Business & Multilateral Security

- Amazon generates the most revenue from electronics, media & cloud services (B2B) (direct revenues)
- Amazon offers a Marketplace platform for Third Party merchants and cloud services (direct revenues)
- Amazon complements product catalogues with Third Party advertisements (indirect revenues)



Proposition

Value Creation

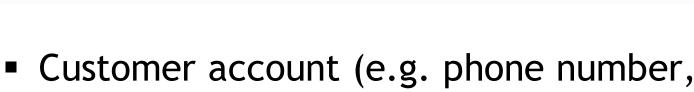
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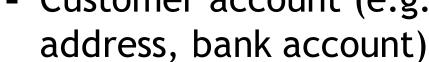
Revenue

Value

Business Model

Revenue Model





Cookies

mobile m

business

- IP-address
- Unique identifier in Kindle



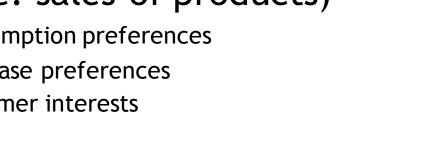


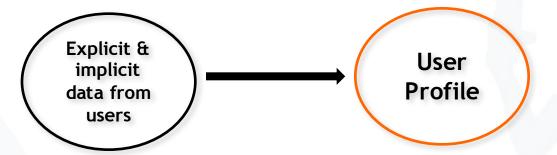
- Consumer Behavioural Data (Own/Third Party websites)
 - Search data
 - Transaction data
 - Rating system
 - Review data
 - Wish list
 - "Liked" products
 - "Disliked" products
 - Browsed products





- From the collected data, Amazon extracts user profiles, which help fostering their business (i.e. sales of products)
 - Content consumption preferences
 - Product purchase preferences
 - General customer interests







Personal data: **Data Processing**



Personal data: Data Usage



- Generated user profiles are used in the recommender system to
 - Promote products relevant to a user
 - Promote complementary or related products
 - Align product and service offerings to current/future demand

Frequently Bought Together



Price For All Three: \$103.41 Add all three to Cart Add all three to Wish List Show availability and shipping details

This item: TomTom XXL 540S 5-Inch Widescreen Portable GPS Navigator by TomTom \$79.99 TomTom GPS Dashboard Mount for TomTom GPS Navigators by TomTom \$11.60 Case Logic MGPS-2 Professional GPS Case for up to 5-Inch Screens (Black) by Case Logic \$11.82

Customers Who Bought This Item Also Bought



TomTom GPS Dashboard Mount for TomTom GPS Navigators by TomTom ★★★★☆ (299) \$11.60







\$3.86



For Tom Tom XXL 540S Premium Car Charger + Home Charger by Generic ★★☆☆☆ (12)

ARKON TTEP115 TomTom EasyPort Windshield / Dash Mount by Arkon \$15.08



Privacy Risks for Individuals

- Collected personal data could be
 - transferred to Third Parties
 - hacked and misused (e.g. credit card details of customers)
 - used for surveillance
 - Location Profiling,
 - Internet tracing (e.g. IP address)
 - used for any other kind activities (e.g. manipulation / influencing of individuals)
 - used for unfair price differentiation for products





Privacy Protection Overview of Selected Options

- Delete cookies after each session (when not logged-in)
- Manage recommendation preferences
 - Deactivate (partially)
 - Manage actively
- Manage your Amazon Browsing History
- Deactivate personalised advertisements



Example: Managing Browsing History



Your recently viewed items Language Change (Language Workbooks) LOOK INSIDE! by Larry Trask (July 13, 1994) Language List Price: \$24.95 Price: \$23.84 [Delete this item] 15 used & new from \$1.64 The Bible, Christianity, & Homosexuality LOOK INSIDE! by Justin R. Cannon (July 14, 2008) 8 used from \$61.74 [Delete this item] What the Bible Really Says about Homosexuality LOOK INSIDE! by Daniel A. Helminiak (May 1, 2000) What Bible *** Really Says About Price: \$14.00 Homosexuality [Delete this item] 35 used & new from \$9.95 Networkstop Daniel A. Heiminiak, Ph. D. 50 Gay and Lesbian Books Everybody Must Read



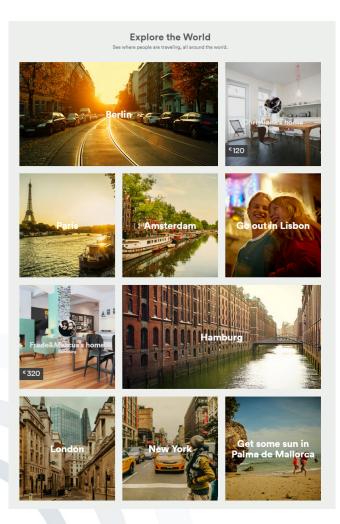
- Case Study Structure
- Google
- Facebook
- Apple
- Amazon
- Disruptive Business Models
- Conclusion







Airbnb



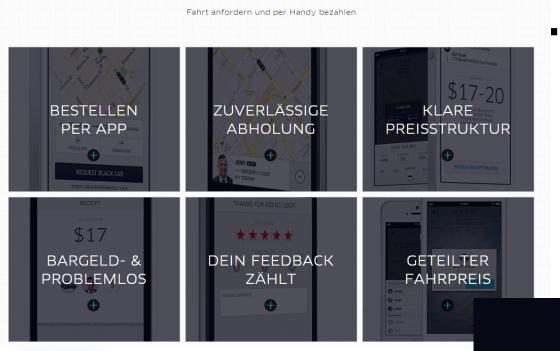
 Airbnb - Rent unique places to stay from local hosts in 190+ countries.

Amsterdam





Uber



DIE UBER APP

It develops, markets and operates the mobile-app-based transportation network also called Uber.
The Uber app allows consumers to submit a trip request, which is routed to crowd-sourced taxi drivers.



Importance of understanding the foundation of (disruptive) business models

- What is the foundation of a business model?
- How do they make revenue?
- What makes them potentially disruptive?
- How do they compete with (traditional) businesses?
- What is the role of online/mobile/digital media as enabler for this business?
- What kind of data fuels the business?
- What is the privacy policy?
- Why should one trust their service offering?
- How do they ensure a certain level of service (quality)?

Airbnb & Uber as Examples of Disruptive Business Models







- Case Study Structure
- Google
- Facebook
- Apple
- Amazon
- Disruptive Business Models
- Conclusion



Conclusion on Case Studies

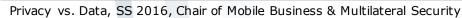
- All "Big Four" are not solely offering their products and services
- They grow and maintain their eco-systems (driving their business) by actively shaping markets, technology, standards and driving innovation

- Eventually Google, Amazon and Facebook may aim at build a net in the net, making them the starting point and center for any Internet user
- Apple profits currently mainly originate from hardware (iPhone) sales. It leverages its eco-system to differentiate from other hardware manufacturers. Can it continue like that?









Conclusion on Case Studies (cont'd)

- Personal data is a fundamental component of all four business models in order to provide value to users
- Depending on the organisation, personal data about different aspects of individuals are collected
- General privacy risks and its consequences are roughly the same, but it has to be differentiated between these risks with regard to
 - observing user behaviour vs. users actively posting personal data
 - Online vs. mobile user vs. other behaviour
- Means to protect the privacy of individuals are very different for each of the four organisations
- → Personal data is required for value provision, privacy risks are similar, but protection means differ.







Further Readings

- Social Network / Media Usage
 - http://www.welt.de/icon/article134352155/Hawaiiiii-Das-taegliche-Grauender-Facebook-Postings.html
 - <u>https://medium.com/backchannel/a-teenagers-view-on-social-media-1df945c09ac6</u>
 - http://www.golem.de/news/jugendliche-und-soziale-netzwerke-geh-sterbenfacebook-1503-112782-2.html
- Insides about Google
 - http://arstechnica.com/gadgets/2016/01/2016-google-tracker-everythinggoogle-is-working-on-for-the-new-year/
- Amazon Strategy & Activities
 - http://uk.businessinsider.com/amazon-google-gurley-2015-9?r=US&IR=T
 - <u>http://m.heise.de/newsticker/meldung/Amazon-Deutschland-Chef-bestaetigt-unterschiedliche-Preise-2866554.html</u>

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