

A Consumer Awareness and Protection Measure: Business Model Transparency

Background:

Users of online services of any kind—even just visiting websites or using a mobile app—are currently exposed to the monetization of their personal information. As this is the predominant business model supporting “free” services, the behavior is both ubiquitous and invisible. While the California Privacy Rights Act requires *some* companies to indicate if, how and when personal data is being sold or shared in exchange for valuable consideration¹, privacy policies don’t consistently or explicitly state when or how a company monetizes personal information. It’s unacceptable for consumers of online services and digital products to not know when they are using digital services that monetize personal information.

- There are 1,180,650,484 websites in the world. 17% (about 197M) are active sites.²
- There are 2,044,000 Google Play apps, and 1,918,840 iOS mobile apps available in app stores.³
 - o 96% total are free apps, largely monetized via the sale of personal information.

Forms of monetization (or sharing of data in exchange for valuable consideration) include:

- Digital advertising revenues (where “advertising” includes all kinds of monetized content, including loyalty programs, coupons, affiliate links, etc), and
- Bulk personal data sales.

Personal data monetization is also the primary incentive for the flow of data that ultimately ends up in data brokers, and once there, is available to be weaponized in myriad ways, resulting in every kind of harm including financial damage, reputation damage, and physical harm.

¹ Definition of covered business from CCPA: “(A) As of January 1 of the calendar year, had annual gross revenues in excess of twenty-five million dollars (\$25,000,000)* in the preceding calendar year, as adjusted pursuant to subdivision (d) of Section 1798.199.95. (B) Alone or in combination, annually buys, sells, or shares the personal information of 100,000 or more consumers or households. (C) Derives 50 percent or more of its annual revenues from selling or sharing consumers’ personal information.”

““Sell,” “selling,” “sale,” or “sold,” means selling, renting, releasing, disclosing, disseminating, making available, transferring, or otherwise communicating orally, in writing, or by electronic or other means, a consumer’s personal information by the business to a third party for monetary or other valuable consideration.” https://cppa.ca.gov/regulations/pdf/ccpa_statute.pdf

² <https://siteefy.com/how-many-websites-are-there>

³ <https://42matters.com/stats>

Public companies must disclose their financial performance, including business model (i.e. revenue streams) per the SEC, but what about the millions of non-public companies?

- There are 55,214 companies publicly traded around the world.⁴
- But there are about 359 million total companies worldwide, and 33.2M in the US.⁵

For the overwhelming majority of online businesses and digital offerings, then, consumers have no way of knowing their revenue streams, including if the company is monetizing their personal information.

Mandatory Business Model Notice

This isn't information that belongs in a privacy policy. Instead, what's needed is a business model disclosure notice that succinctly and clearly notifies consumers of the ways the company makes money.

The notice must:

1. Declare company legal name (including DBA information)
 - a. US State of registration
 - b. Legal name of Parent Company/-ies
2. Declare all revenue streams including percentages of net revenue:
 - a. Sale of goods.
 - b. Sale of services including subscriptions.
 - c. Licensing.
 - d. Digital advertising.
 - e. Data monetization.
 - i. Personal data monetization.
 - ii. Non-personal data monetization.
3. Declare personal data exchanges: when the company gives or receives data in exchange for valuable consideration.
 - a. This includes the use of marketing platforms such as Customer Data Platforms (CDPs) or Identity Resolution Platforms (IDRPs) which exchange bulk personal data usually for purposes of "personalization".

⁴ <https://www.investopedia.com/financial-edge/1212/stock-exchanges-around-the-world.aspx>

⁵ <https://joingenius.com/statistics/how-many-companies-are-there/>

The Business Model notice must also be as concise as possible and presented at the time the consumer is engaging with the business and/or their products. The privacy policy can (and should) elaborate on the specifics of personal information monetization.