

INSIGHT

Promoting Financial Rewards for Use of Personal Information



Companies and governments are devising strategies for how to manage the personal information of users of online services.

Introduction

In many countries, data broker firms are thriving that buy personal information from individuals and sell them to corporations. In the Republic of Korea, efforts are needed to promote a market for personal information considering that personal information is among the key elements of the Fourth Industrial Revolution. However, the idea of providing financial rewards for use of personal information needs to be carefully examined from various angles such as the method of consent (e.g. opt-out) and data security, given that personal information is strictly protected in the Republic of Korea.

Analysis

IT firms like Google and Facebook reap huge profits by using their users' personal information, and yet users have not been properly rewarded. Noting this, there has been a growing voice that companies should pay for use of personal data, and companies on their part do have an incentive to obtain quality data to generate more valuable information.

In fact, many countries such as the US, the UK, and Japan are already doing so. Specifically, US Datacoup, established in 2012, provides cyberspace where personal information can be traded, and it pays USD8 monthly to users for providing personal information (e.g. accounts information of SNS platforms such as Facebook, Twitter, LinkedIn, Google; information of credit/debit cards). Similarly, Luth Research pays up to USD100 to consumers for participating in surveys and digital tracking, and for providing personal information. In the UK, HAT is a joint research project among six universities regarding a market for personal data with GBP1,200 million of funding from government, universities, and corporations. Also in the UK, Handshake is a data broker(platform) that connects data providers and users whereby the involved parties directly negotiate the price of personal information. In Japan, Every Sense started operating the exchanges for IoT in December 2015 where both corporations and individuals can sell and buy data.

Japan's Ministry of Internal Affairs and Communications plans to implement a business certification system by 2020, according to which individuals can trust various personal data to a broker firm. The type of broker firms will be either an information bank or an information trust, depending on whether the information-providing individual specifically designates the use of information or not. With an information bank model, individuals decide eligible companies that can use their information and the scope of information disclosure; in comparison, with an information trust model, individuals fully delegate such decisions to a broker firm, akin to asset management by a trust company.

Insights

Collection and processing of Big Data would grow only more important in the era of Fourth Industrial Revolution, and the Korean government needs to consider the importance of promoting the market for selling and buying personal data on financial transactions. Circulation of personal data based on financial rewards has grown briskly in the US, the UK and Japan as seen above due to the absence of a rational and organic market structure between information providers (individuals) and users (e.g. corporations). That is, individuals have not received fair rewards for providing personal information, whether voluntarily or involuntarily, and companies?final consumers of information?also have been struggling with incomplete information without accurate targeting. Under this circumstance, the key role of a data broker(platform) is to guide data providers to provide information to an extent they want, receive fair rewards in return, and help companies to obtain quality data. Using a data broker could be also beneficial as a data user can steadily receive up-to-date information from same sources.

However, providing financial rewards for personal data might be suitable for countries like the US where the use of personal information has reached a worrisome level. To introduce a similar scheme in the

Republic of Korea where personal information is rigorously guarded, it is important to thoroughly examine prerequisites(e.g. opt-out option). In the US, most personal information is available for use with an exception of a few information with an opt-out option, and this has driven the sharp growth of data broker business. When incentive-based using of personal information is for Big Data analysis, there is a risk of sampling bias(vs. random sampling), and this might restrict usefulness of information in applying to marketing and product development. Considering this, it is important to carefully examine the broader use of personal information from a standpoint of respecting individuals' right to their personal information, enhancing consumer convenience, and promoting use and analysis of Big Data.

Resources

Korea Institute of Finance website

Summary: *Six Lessons to Learn from Asia's World-Class Universities*

Case Study: *An Eco-friendly Approach to Waste Management*

Case Study: *Sustainable Water Management for Smart Cities*

Insight: *How East Asia Can Reduce Climate Change Impact*

Explainer: *Get On My Cloud - Explaining the MathCloud System of Learning*

Insight: *Smart Strategies for Getting More Women into the Workforce*

Insight: *A Successful Example of How to Shift to Cyberlearning*

Explainer: *Using Television to Improve Education Systems*

Case Study: *Revitalizing a City by Reviving a Stream*



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Last updated: August 2018