

Discussion of “Data Privacy and Digital Demand” by Chen, Huang, Ouyang and Xiong

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Summary

- Does consumer's privacy concerns affect their data sharing choices?
- Theoretical Prediction: Privacy Paradox
- Conduct Surveys to Alipay users about their data privacy concerns and then match their response with administrative data about their data sharing choices with mini-programs on the Alipay platform
- Gain insight on how consumer's privacy concerns related to their actual use of these mini-programs
- **Main results:** Consumers who are more concerned are the ones who uses digital services more- positive relation between privacy and digital demand

Broad Picture-Data Economy/Privacy

- The paper falls in the very interesting and currently much discussed area of data economy and privacy
- How should we value data ? (Laura Veldkamp et al.- series of papers)
- How should we price digital services ? (Berg et al 2020, Agarwal et al-2022, Farboodi et al. 2022)
- Data has market power (Shota Ichihashi et al –AER 2019)
- Proxy data sharing
- This paper intersects data, welfare and market power and privacy- Joint dynamics of data privacy and digital demand

Key points-1

- Based on the survey data, no difference found on data sharing by “concerned” and “very concerned” users
- Increasing trend
- Respondents on average rejected 26.5% of the data-sharing requests from mini programs
- Consumers choice reflect the trade-off between data privacy and digital demand

Key Points-2

- More active users of mini-programs are more likely to cancel their data sharing with mini-programs
- Heavy users of digital services makes users more susceptible to privacy concerns
- Confirms that data privacy paradox is highly relevant and growing with deepening of digital economy

Key Points-3

- Paper also talks about the cost and benefits of the data sharing in a Joint modeling of privacy and digital demand
- Shows that increasing trends in both costs and benefits of data sharing make it possible to explain the rising trend in Alipay users data sharing authorizations in the sample

Suggestion-1

- Is it "Choice" or "force"?- correlation or Causality?
- If I need the service, $b_i > c_i$
- Clean shot is RCT!
- Can administrative data help?
- Look at the duration of downloading or authorizing data sharing in the app and time of use of the service?
- Need more info and comparison of Alipays privacy settings
- Potential identification- Has there been any sever data breach during the sample period? (Ref: Privacy versus Convenience: Customer Response to Data Breaches of Their Information- Agarwal et al. R&R Management Sc)

Suggestion-2

- Potential Endogeneity
- Business shapes its optimal data strategy based on revenue model : collection and protection of users data ([Fainmesser et al: Mgmt sc forthcoming](#))
- A business with more data-driven revenue model will collect more users data and provide more data protection than a similar business that is more usage driven!
- Relative to the socially desired data strategy, the business may over-or undercollect users data and may over-or underprotect it

Suggestion-3

- Are they agreeing because they trust Alipay platform more than individual min-programs?- help to have some insight on this
- On the other hand, why Alipay allows min-programs to be on their platform? – Can Alipay use these information for their own product- is customer aware of it?
- Are there price discrimination by a mini-programe offering on Alipay super app vis-a-vis stand alone app?

Suggestion-4

- Is the paradox equally prevalent on all kinds of mini app? Some apps may be more for daily users, some app might have more competition
- Is paradox is higher for app serving in a monopoly?
- Can play with age and gender a bit more
- A Decision tree kind of algorithm can gain more insight in the cross-section

Suggestion-5

- In the survey response- what's the distribution of responses for customers who used the mini app recently for the first time vs. who have been using for sometime?
- Cost in the utility function goes down if user has been regular with same setting than a new user
- Does the customers understand what the study meant by “privacy issue”? This is crucial

Conclusion

- Very important research question
- Authors have a great data set
- Detailed and Careful analysis.
- A more detailed analysis on understanding the mechanism will be helpful