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Facebook's data harvesting model: why is company not paying its data suppliers?

Facebook's business model, which is about free harvesting of data from across the world, highlights the need for a global regulator.



Facebook was founded in 2004 as a business enterprise operating in the social media sector. The company disrupted the traditional media markets— print and digital— and took advertising business and market share away from them. It grew into a behemoth with revenues of \$40 billion and a market valuation in excess of \$460 billion in merely 18 years.

To put this in perspective, Rupert Murdoch's print and digital media empire took more than 50 years, from its humble beginnings in 1954, to grow into a \$76 billion media and entertainment company that included News Corporation and Twentieth Century Fox. Although Murdoch had the foresight on social media's power and acquired social media company Myspace in 2004, the

Facebook business model and strategic assault in the market wiped out Myspace, beating the media czar at his own game; Murdoch sold Myspace in 2008.

How did Facebook beat global giants like News Corporation and service offers from Myspace to reach its current position of dominance?

Let us first rise above the noise and focus on data harvesting by Facebook, the alleged misuse of the data, and define the boundaries of this company's playground and platform. As any ordinary farmer would tell you, one should first think of sowing the seeds and make sure it is done efficiently in order to harvest good yields. But Facebook's sowing of the data has not been talked about by pundits and market analysts. Sowing the data is the corner stone of Facebook's business model and is done by offering free services to the public to connect to the Facebook platform and become part of the so-called Facebook communities.

What is the objective of offering the free service of connecting to a social media platform? Facebook wants the largest possible number of people on its platform in an interconnected wireless world -- it had 2.13 billion people as of December 31, 2017, or more than one-fourth of the world's population. This is sowing the field in a vast planet called earth. Just like a farmer prepares the ground for sowing by tilling it and seeding it, Facebook has prepared the planet by luring people to connect to its platform and built its Facebook communities. This leads to the growing of the data: data on every aspect of a human being you can possibly imagine -- individual eating habits, friendship choices, sexual preferences, political and religious beliefs, and even your exact location on earth.

In an interconnected world data grows so fast -- faster than any other seeds sown by hardworking farmers -- into personal profiles and group pages. This is when the crops are ready: for data harvesting!

The second important feature of Facebook's business model is the process of harvesting itself, using its platform to connect suppliers and customers. Just like Uber and Amazon facilitate customers of transportation services and retail merchandise, respectively, to connect with the suppliers, Facebook facilitates connecting suppliers and customers on its platform.

What does Facebook sell? Advertising services targeted to specific markets based on the data on personal profiles of individuals. There are any number of companies in cities like Bangalore, Moscow and San Jose -- like Cambridge Analytica in London -- that have alliances with Facebook and undertake data harvesting: receiving feeds from Facebook servers on the personal profiles

of individuals and groups and selling them to enterprises including political parties to promote their products, services and political ideologies, even fake news and alternate facts. This kind of advertising is much more precise in audience targeting than the mass market-covering print and digital media like television and internet portals, such as this one – the International Business Times India.

So who are the suppliers of Facebook? The suppliers or the vendors of Facebook are the 2.3 billion people who are connected to it and who dump data on to the Facebook platform every minute -- data on behaviours, intentions, ideologies and thoughts of self; their friends and families including cats, dogs and other pets.

In all commercial transactions including online ones undertaken by Uber and Amazon, the suppliers get paid for what they supply. In the case of Facebook, the suppliers don't get paid! For the most precious data they supply to Facebook, they get absolutely nothing. Simple as that, the so-called Facebook community that Zuckerberg wants us to believe as a cozy community of friends and families, is nothing but unpaid suppliers of valuable data to Facebook. These suppliers get paid nothing, zilch!

So, the cost of supply of data for Facebook -- the social media company -- is virtually zero. Is there any other business on planet Earth where the cost of goods supplied is zero? None. This disruptive innovation and genius of free supply of data from its suppliers called the Facebook community to service the company's money paying enterprise customers and channel partners, such as Cambridge Analytica, made Facebook one of the most profitable on earth.

Facebook's major cost of sales is in continuously developing its platform to induce its data suppliers to ensure there is a continuous, free flow of data on to its platform. Data which can be harvested to sell targeted advertising and promotional campaigns for enterprise customers.

The other cost is building massive warehouses or farms -- called data warehouses or data farms. These massive data warehouses, like our grain warehouses, are spread across the world – from Prineville and Forest City in the USA to Lulea in Sweden. The company is also building new warehouses across the world from New Mexico to Singapore.

Facebook says that it does not sell personal data. That is a tall claim. What exactly does Facebook do with all the data it collects online? The company uses it to match advertisers' preferences to Facebook communities of people so that the right advertisement is shown to the audience. Why is it important to show the right advertisement? Well, if the right advertisement is shown, there is a higher chance that the Facebook community members will click on it, watch the

advertisement that may lead to purchase of goods or services advertised, and Facebook will get paid more money.

The transaction process between Facebook, the seller of data, and partner buyers such as Cambridge Analytica is fully automated with little human interference. The data analytics companies LIKE Cambridge Analytica and advertising companies would have a partner account with Facebook where they could log in and initiate an automated process, starting with defining the profile parameters of the Facebook community members they want to purchase.

Facebook will notify the purchaser the costs for such specific data and as soon as the payments are made to Facebook by the purchaser, a handshake between the servers of the purchaser and Facebook will be activated and transfer of data profiles from Facebook's data warehouse to the purchaser will be completed. Simple as that. Facebook also has little or no bad debts, unlike the farmers who wait for their payment after harvesting their crops.

In the fast-paced interconnected and disruptive planet we live in, the regulators have not yet caught up with the idea of Facebook, its innovative business model, its blatant abuse of individuals' privacy, inventory collected in the data warehouse consisting entirely of personal profiles of individuals, and the tragic entrapment of the so-called global Facebook communities as suppliers of valuable data without getting paid.

To protect the fundamental rights of the human species who are connected to this fast-moving transport on the internet superhighway, we require a global regulator, like the United Nations Organisation. This global regulator should develop and implement a charter of rights, freedoms, obligations and regulations for protecting the human species of the interconnected world without boundaries.

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