

Privacy: Quo Vadis

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Much has been written on what privacy means in the age of mass surveillance and implicit acknowledgement that personal metadata may be captured in exchange for “free” internet services. As we celebrate the 25th anniversary of the World Wide Web, we reflect on where we are on digital privacy protection today and what is in store for the future.

Our first observation is that although the Internet has been there for a while, it’s still very much in its infancy when it comes to privacy protection. As users of the global network, we often feel as if companies are experimenting with our private information either to target advertising, recommend products, provide better credit scoring or generally personalise anything that can be personalised. While data-driven companies argue that customers benefit from a tailored user experience that also enables new sources of value creation, research suggests that internet users generally feel they have lost control over how personal information is collected and used by third parties.

Some privacy activists, such as Julia Angwin, who led a Wall Street Journal investigation into tracking software and how it is used by companies to target consumers, have attempted a concerted effort to protect their digital privacy. However, the reality is that “being let alone”, as Judge Cooley would put it, takes an amount of energy and determination most consumers are unwilling to make, particularly those reluctant to forfeit their usage of popular internet services.

At Delta Partners Capital we have seen a proliferation of apps, smartphones and mobile operating systems targeting either corporate or consumer clients

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whose value proposition revolves around protecting users’ privacy. However, we have remained cautious when it comes to investing in the space as we question how many users will actually be willing to pay to safeguard their privacy when free apps such as Telegram or WhatsApp’s encrypted voice and messaging do the trick, at least in terms of protecting the content of the data exchanged.

We believe that today even the most privacy-conscious users operate in “silos of privacy”. Some engage on a secure conversation via WhatsApp, navigate the Surface Internet through Tor Browser, or even send PGP emails and have a burner phone to post classifieds on Craigslist. However, they lack a holistic privacy solution that covers their entire digital life.

Even enterprise-grade encryption and deep permission management solutions such as Silent Circle only protect users’ communications through their dedicated smartphone, a limited subset of today users’ multiscreen digital experience. Cross-device tracking techniques allowing companies to reconcile profiling data captured from multiple access points further complicate consumers’ quest for anonymity. Moreover, new developments in deep learning and natural language processing will likely put additional strains on the users’ ability to keep their conversations away from prying ears.

“Customers today lack a holistic privacy solution that covers their entire digital life”

We argue that we live in the worst time in history when it comes to consumer privacy protection and that users may well feel they are being treated like guinea pigs by certain internet companies exploring ingenious uses of personal data. However, the blend of slow-moving regulators, lack of awareness as to how personal information is being used in ways that would not be acceptable in an offline world, and never-read Terms & Conditions giving legal protection to abusive developers suggests that legislative changes are likely to take some time.

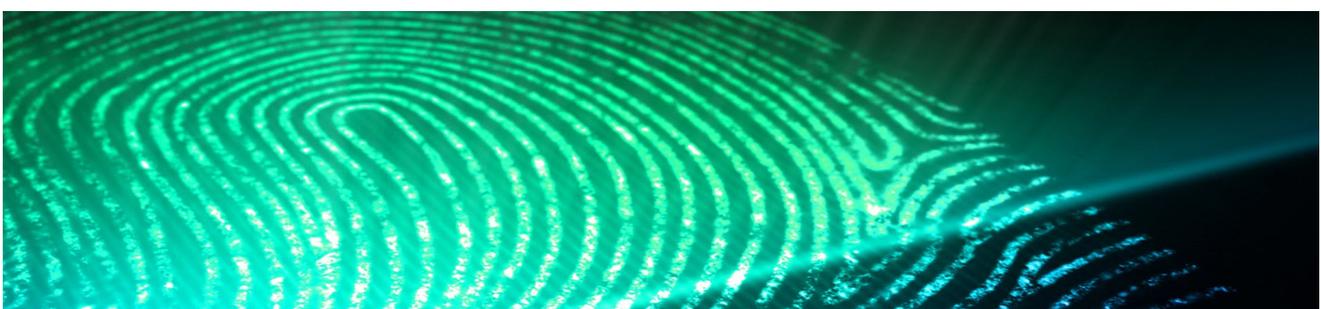
That said, we also recognise that consumer rights are being traded off for innovative business models, some of which may also provide compelling customer benefits, and that stringent privacy regulation may slow down the pace of innovation – a conscious decision that as a society, we may or may not be willing to make.

In any case, we feel positive that, as in many other instances in history, the current market disequilibrium between demand and supply of data privacy will fade. This will be driven by intensified users’ wariness of how their information is being exploited and secured (following recent high-profile data breaches) and consumer advocate groups pushing regulation that protects the privacy of private life. More specifically, in terms of policy setting, we expect administrations to require digital apps to publish some sort of simplified version of their current T&C. Similar to how pharma ads must include the most significant risks of a drug, telecom ads must disclose associated fees, and retail investment offerings should be drafted in clear language and include essential information to help customers decide whether to buy a financial product.

“Market forces may be the driver that closes the current privacy gap”

Although we acknowledge that it may be tricky for a tech start-up to be the first mover in the suggested T&C streamlining effort, some goodwill may be generated by doing so, as by bringing back customer loyalty and fostering engagement among reassured users, customers would subsequently enjoy more transparency on how their data is being treated.

Ultimately, we believe that market forces may be the driver that closes the current privacy gap, for the existing privacy silos and increasing user concerns suggest a latent market opportunity for unified privacy mechanisms waiting to be exploited.



Based in the Dubai International Financial Center, **Pol** is an Associate in our Private Equity team, where he has evaluated a broad range of opportunities in the intersection of telecommunications and technology. Pol has over 5 years of consulting, banking and investing experience in Europe, North America, Africa and the Middle East, holds an MBA from Harvard Business School and a dual Master of Engineering from the Ecole Nationale Supérieure des Mines de Paris in France and the Universitat Politècnica de Catalunya in Spain.

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