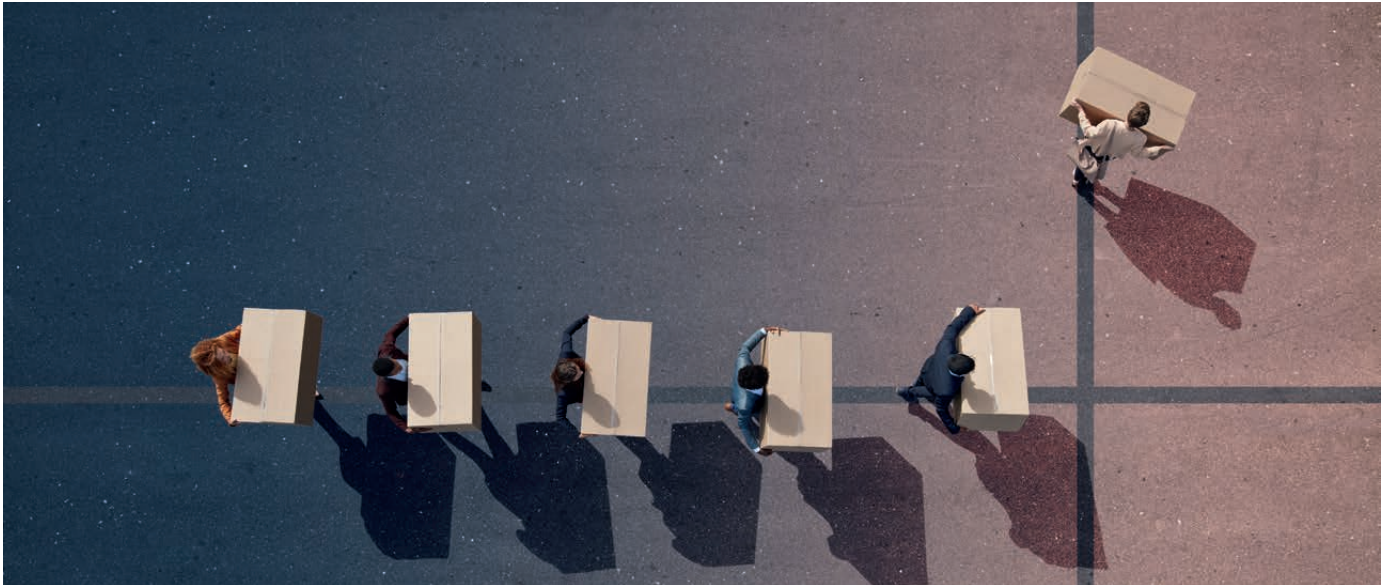


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The ethics of Digital Business Models

Businesses and organizations wanting to embrace the opportunities presented by new technologies are advised to analyze how they expect their business models to evolve in order to leverage digitization, data-driven insights, and multi-sided platforms in line with ethical considerations.



Digitalization, the full or partial replacement of physical goods and/or services with digital equivalents, opens up new business models because it reduces the marginal costs of production and distribution by orders of magnitude. The digitalization of goods and services both increases the speed and convenience of consumption or usage and enables vast amounts of data about customer behavior to be collected.

Even where physical goods and services remain, digital technology has enabled multi-sided platform business models at a scale not witnessed before. A multi-sided platform has two different types of user. For example, the Uber ride-sharing platform caters for those who need transporting from A to B on the one side, and for people wishing to provide rides on the other side. This business model uses digital technology to connect two sides of a multi-sided market.

Organizations need to take a close look at their current business models to ensure they are ready for data-driven changes, with robust and ethical safeguards in place.



Real ethical considerations



Managing intellectual property rights

Once a product or service is digitized, the barriers to copying it become much lower. Compare the cost of copying an mp3 file across a network against that of burning and distributing a physical CD. The ease with which digital copies can be made means that additional attention must be given to how the intellectual property is managed in a way that is fair to all parties involved: creators, distributors and consumers. Following a US court ruling that free music sharing company Napster was facilitating the illegal transfer of copyrighted music, current business models for music streaming services aim to address these considerations through, for example, member subscriptions and advertising revenue shared with artists.



Obtaining informed consent

If a company seeks to derive value from data-driven insights, careful consideration must be given as to whether the people and organizations who are providing the data on which these insights are based have given their informed consent for it to be used in this way. This is made more challenging by the fact that many may have difficulty in judging whether they are happy for their data to be used for a particular purpose (even if they read the end user license agreement). Additionally, when an organization first starts collecting data, it may not itself know precisely if or how it will be able to extract value from it. Yet this intended purpose will almost always be an important factor influencing the data provider's decision on whether to permit its usage: they may be happy to share data about their lifestyle to help find a cure for cancer, but not to calculate their insurance premiums.



Avoiding exploitation of users

In the case of a real-estate platform that connects (for a fee) those seeking to buy a house with those who are looking to sell, the operator of a multi-sided platform can make large profits with relatively low costs (and hardly any fixed assets) because the process of connecting people from both sides of the market is largely automated by technology. If there is a perceived imbalance between the effort and reward for users of the platform and the platform operator, the platform operator may be seen to be exploiting its users and the business can be negatively impacted. Furthermore, multi-sided platform providers could achieve a monopoly-like status where the value of their platform increases with its number of users and safeguards may be needed to avoid exploiting platform users.