

The logo for CERRE, consisting of the word "cerre" in a white, lowercase, sans-serif font inside a dark blue square.

Centre on Regulation in Europe
Improving network and digital industries regulation

Big data markets

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Report on data markets for the BMWI

- Published in German as ZEW Discussion Paper (with executive summary in English)
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Digital data
Data markets
(In)efficiency of data markets
Data access and regulation

Digital data

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(In)efficiency of data markets

Data access and regulation

Digital data

- **digital data**
- **in particular, *big data***
 - large amounts of data, often complex, short-lived and non-structured
- **personal vs. non-personal data**
 - personal data

“‘personal data’ means any information relating to an identified or identifiable natural person (‘data subject’); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person “ (from: Art 4 General Data Protection Regulation)
 - non-personal data

Machine data (1/2)

Purposes of data usage:

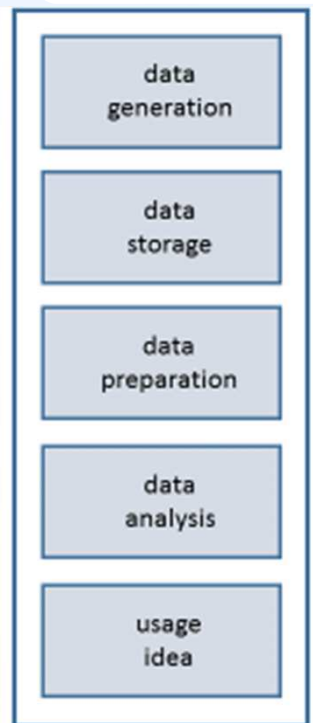
- Improvements of production and logistic processes
- Product development and innovation
- Improved marketing (pricing, advertising, assortment,...)
- ...

Machine data (2/2)

Examples

- Precise high-frequency weather data used in agriculture
- Mobility data to manage traffic flows
- Machine data – for instance, related to transport or manufacturing – to manage maintenance works
- Data on the efficacy and side effects of drugs with the purpose of personalised medicine

Data value chain



- **Items are *complements***
- **combination of these items**
 - > private economic value that is generated from data use
 - term “value of data” may be misleading

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Data markets (1/3)

Access to data

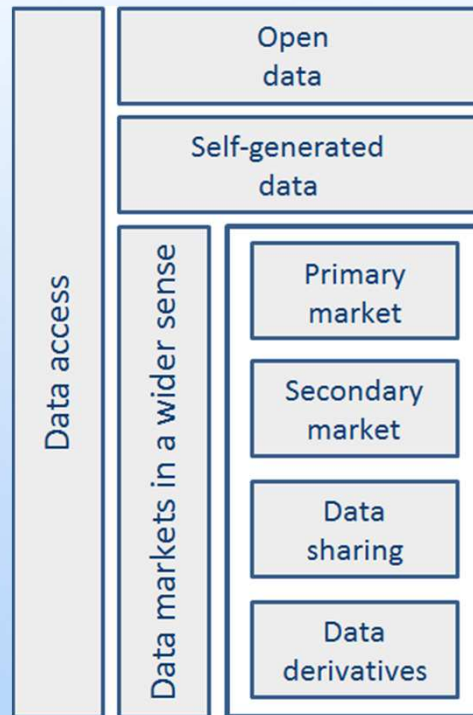
- **Primary market**
 - Obtain data directly at the data generator (e.g. consumer)
- **Secondary markets in a narrow sense**
 - Access based on bilateral negotiations OR
 - More standardised data access (e.g. financial market data, weather data)
 - possibly intermediated through a platform
 - few examples of 2-sided platforms that facilitate access to commercial (private) data

Data markets (2/3)

Access to data (continued)

- **Data sharing**
 - Leads to a mix of data from a primary and a secondary market
 - Usage for different purposes (e.g., along vertical supply chain)
- **Alternative: Markets for data derivatives**
 - Usage of data services

Data markets (3/3)



Data access and usage

- **Different types of data access are substitutes**
 - How close? Depends on data user
- **Lack of a particular type of data access is not proof of market failure**
 - The availability of a particular type depends on market conditions and the legal framework

Trade with personal data

- ***Trade of personal data (in a narrow sense) is very much limited by data protection law***
- **Individuals have to explicitly approve the transfer of their data to third parties (or legal exemption)**
 - Personal Information Management Systems (PIMS)
 - Their future success is unclear

Portability of personal data

- **Right to data portability (Article 20 of the GDPR)**
- **Data subject may request the transfer of the data related to her**
- **Real function of data portability:**
 - avoidance of an aftermarket lock-in
 - promotion of competition
- **The right to portability of personal data as a compensation for the weakening of the secondary markets for personal data by data protection law**

Trade and anonymisation (1/2)

- **Transfer of *anonymised* data not subject to data protection law**
 - General correlation results can be transferred
 - NOTE: stringent legal requirements for anonymisation

Trade and anonymisation (2/2)

- **Insights from anonymised data can be substitute for those obtained from personal data**
 - From a consumer perspective the consequences from the use of these insights may be desirable (e.g. personalised medicine) or sometimes undesirable (in some instances, targeted pricing)
 - When combining anonymised data with observable characteristics of an individual, data protection law again applies

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Potential market failures

- **Potential *market failures* in the use of data**
 - Private economic value not maximised along the data value chain (inefficiency within the value chain)
 - Private value differs from social value (overall inefficiency)

Inefficiency within the data value chain

- **Possible causes**
 - **Market power at several layers (economic mechanism: double marginalisation)?**
 - currently competition, in particular, for storage and analytics
 - contracts may help to avoid double marginalisation
 - **Information asymmetries (regarding quality of the data set)?**
 - data quality can be checked through samples from the data set

Inefficiency within an extended value chain

- **Possible causes**
 - **Leverage of market power in related markets (see aftermarket problem below)**
 - **Contractual incompleteness (Hold-up problem)**
 - Hypothesis: Startup with an innovative idea how to use data has to invest first in the development of its service; relies on data access controlled by a firm with market power in the generation of the relevant data
 - How can the startup make sure that the terms and conditions for data access justify the required upfront investment?
 - Real-world examples?

Economic inefficiency

- **Other possible causes**
 - **Asymmetric information between data user cum seller and consumer**
 - In some instances, the use of data may actually increase efficiency
 - **External effects in data generation**
 - Example: Provision of consumer data as part of a loyalty program; external effect on other consumers

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Missing data access as a competition problem?

- **Lack of data access may make market access more difficult**
- **Aftermarket problem may arise**
 - **Examples: markets for product maintenance or value added services**
 - **Instruments of competition law**
 - EU+Germany: Abuse of a dominant position (Art. 102 AEUV, §19 GWB)
 - Germany: Abuse of “relative market power” (§20 GWB)
- **BUT: do not see evidence of systematic market failure**

Data access as a competition problem?

- **Data sharing or data access via a platform may facilitate coordinated behavior in downstream markets for products and services**
- **Make sure that general prohibition of cartels not violated**
 - Distinction between tacit and explicit collusion?
 - Detection tools of the antitrust authority?

Property rights for non-personal data?

- **Property rights for non-personal data**
 - Main purpose: access for machine and service users to usage data
 - In general: do not reduce transaction costs
 - Unsuitable to address market imbalances
- **Opposed: Interests of machine producer and service provider**
 - Concerns about product safety in case of data access by third parties
 - Legitimate interests to keep data secret
- **Functioning of markets for non-personal data probably does not depend on new formal property rights for data**