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Web's Hot New Commodity: Privacy

By JULIA ANGWIN and EMILY STEEL

As the surreptitious tracking of Internet users becomes more aggressive and widespread, tiny start-ups and technology giants alike are pushing a new product: privacy.

Companies including Microsoft Corp., McAfee Inc.—and even some online-tracking companies themselves—are rolling out new ways to protect users from having their movements monitored online. Some are going further and starting to pay people a commission every time their personal details are used by marketing companies.

Gareth Phillips for The Wall Street Journal

Giles Sequeira now sells personal details about himself to advertisers.

"Data is a new form of currency," says Shane Green, chief executive of a Washington start-up, **Personal Inc.** , which has raised $7.6 million for a business that aims to help people profit from providing their personal information to advertisers.

The Wall Street Journal's year-long What They Know investigation into online tracking has exposed a fast-growing network of hundreds of companies that collect highly personal details about Internet users—their online activities, political views, health worries, shopping habits, financial situations and even, in some cases, their real names—to feed the $26 billion U.S. online-advertising industry.

In the first nine months of last year, spending on Internet advertising rose nearly 14%, while the overall ad industry only grew about 6%, according to data from PriceWaterhouseCoopers LLP and WPP PLC's Kantar Media.

Testing the new privacy marketplace are people like Giles Sequeira, a London real-estate developer who recently began selling his own personal data. "I'm not paranoid about privacy," he says. But as he learned more, he says, he became concerned about how his data was getting used.

Graphic

Companies are introducing free and paid products that help people manage the way companies track their online activities. Some services pay people when their personal details are used.

People "have no idea where it is going to end up," he says.

So in December, Mr. Sequeira became one of the first customers of London start-up **Allow Ltd.** , which offers to sell people's personal information on their behalf, and give them 70% of the sale. Mr. Sequeira has already received one payment of £5.56 ($8.95) for letting Allow tell a credit-card company he is shopping for new plastic.

"I wouldn't give my car to a stranger" for free, Mr. Sequeira says, "So why do I do that with my personal data?"

As people are becoming more aware of the value of their data, some are seeking to protect it, and sometimes sell it. In January at the World Economic Forum in Davos, Switzerland, executives and academics gathered to discuss how to turn personal data into an "asset class" by giving people the right to manage and sell it on their own behalf.

"We are trying to shift the focus from purely privacy to what we call property rights," says Michele Luzi, a director at consulting firm Bain & Co. who led the Davos discussion.

Allow, the company that paid Mr. Sequeira, is just one of nearly a dozen start-ups hoping to profit from the nascent privacy market. Several promise to pay people a commission on the sale of their data. Others offer free products to block online tracking, in the hopes of later selling users other services—such as disposable phone numbers or email addresses that make personal tracking tougher. Still others sell paid services, such as removing people's names from marketing databases.

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"Entrepreneurs smell opportunity," says Satya Patel, venture capitalist at Battery Ventures, which led a group of investors that poured $8 million in June into a start-up called **SafetyWeb** , which helps parents monitor their children's activities on social-networking sites and is rolling out a new privacy-protection service for adults, **myID.com** .

For the lightly regulated tracking industry, a big test of the new privacy marketplace is whether it will quiet the growing chorus of critics calling for tougher government oversight. Lawmakers this month introduced two separate privacy bills in Congress, and in December the Obama administration called for an online-privacy "bill of rights." The Federal Trade Commission is pushing for a do-not-track system inspired by the do-not-call registry that blocks phone calls from telemarketers.

The industry is hustling on several fronts to respond to regulatory concerns. Last week, Microsoft endorsed a do-not-track system. Microsoft also plans to add a powerful anti-tracking tool to the next version of its Web-browsing software, Internet Explorer 9. That's a reversal: Microsoft's earlier decision to remove a similar privacy feature from Explorer was the subject of a Journal article last year.

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The online-ad industry itself is also rolling out new privacy services in hopes of heading off regulation. Most let users opt out of seeing targeted ads, though they generally don't prevent tracking.

The privacy market has been tested before, during the dot-com boom around 2000, a time when online tracking was just being born. A flurry of online-privacy-related start-ups sprang up but only a few survived due to limited consumer appetite.

As recently as 2008, privacy was so hard to sell that entrepreneur Rob Shavell says he avoided even using the word when he pitched investors on his start-up, **Abine Inc.** , which blocks online tracking. Today, he says, Abine uses the word "privacy" again, and has received more than 30 unsolicited approaches from investors in the past six months.

In June, another company, TRUSTe, raised $12 million from venture capitalists to expand its privacy services. At the same time,

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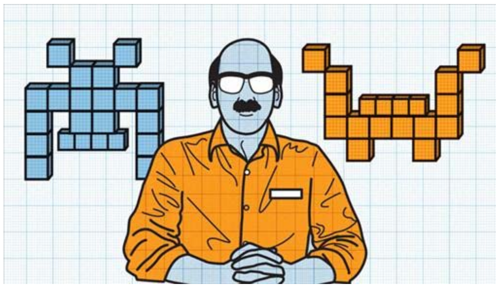

It's rarely a coincidence when you see Web ads for products that match your interests. WSJ's Christina Tsuei explains how advertisers use cookies to track your online habits.

Reputation.com Inc. raised $15 million and tripled its investments in new privacy initiatives including a service that removes people's names from online databases and a tool to let people encrypt their Facebook posts.

"It's just night and day out there," says Abine's Mr. Shavell.

Online advertising companies—many of which use online tracking to target ads—are also jumping into the privacy-protection business. AOL, one of largest online trackers, recently ramped up promotion of privacy services that it sells.

And in December, enCircle Media, an ad agency that works with tracking companies, invested in the creation of a privacy start-up, **IntelliProtect** . Last month IntelliProtect launched a $8.95-a-month privacy service that will, among other things, prevent people from seeing some online ads based on tracking data.

In its marketing material, IntelliProtect doesn't disclose its affiliation with the ad company, enCircle Media, that invested in it. When contacted by the Journal, IntelliProtect said it would never give or sell customer data to other entities, including its parent companies.

A cofounder of Allow, Justin Basini, also traces his roots to the ad industry. Mr. Basini came up with the idea for his new business when working as head of brand marketing for Capital One Europe. He says he was amazed at the "huge amounts" of data the credit-card companies had amassed about individuals.

But the data didn't produce great results, he says. The response rate to Capital One's targeted mailings was 1-in-100, he says—vastly better than untargeted mailings, but still "massively inefficient." Mr. Basini says. "So I thought, 'Why not try to incentivize the customer to become part of the process?"

People feel targeted ads online are "spooky," he says, because people aren't aware of how much personal data is being traded. His proposed solution: Ask people permission before showing them ads targeted at their personal interests, and base the ads only on information people agree to provide.

In 2009, Mr. Basini left Capital One and teamed up with cofounder Howard Huntley, a technologist. He raised £440,000 ($708,400) from family, friends and a few investors, and launched Allow in December. The company has attracted 4,000 customers, he says.

Mr. Basini says his strategy is to first make individuals' data scarce, so it can become more valuable when he sells it later. To do that, Allow removes its customers from the top 12 marketing databases in the U.K., which Mr. Basini says account for 90% of the market. Allow also lists its customers in the official U.K. registries for people who don't want to receive telemarketing or postal solicitations.

Currently, Allow operates only in the U.K., which (unlike the U.S.) has a law that requires companies to honor individuals' requests to be removed from marketing databases.

Journal Community

Then, Mr. Basini asks his customers to create a profile that can contain their name, address, employment, number of kids, hobbies and shopping intent—in other words, lists of things they're thinking about buying. Customers can choose to grant certain marketers permission to send them offers, in return for a 70% cut of the price marketers pay to reach them. Allow says it has finalized a deal with one marketer and has five more deals it hopes to close soon.

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Mr. Basini says Allow tries to prevent people from "gaming" the system by watching for people who state an intention to buy lots of things, but don't follow through.

Because Allow's data comes from people who have explicitly stated their interest in being contacted about specific products, it can command a higher price than data gathered by stealthier online-tracking technologies. For instance, online-tracking companies routinely sell pieces of information about people's Web-browsing habits for less than a penny per person. By comparison, Allow says it sells access to Mr. Sequeira for £5 to £10 per marketer.

You should not be able to sell your privacy. Its a dumb idea and someone is going to end up suing. Internet privacy shouldn't be a question and you shouldn't have to give up any information you didn't want to.

—Josh Harmon

Mr. Sequeira, the London real-estate executive, says that after he filled out an "intention" to get a new credit card, he received a £15.56 credit in his Allow account: a £10 signing fee plus a £5.56 payment from the sale of his data to a credit-card marketer. So far, he says, he hasn't received a card offer from the company.

"I don't think it's going to make a life-changing amount of money," says Mr. Sequeira. But, he says he enjoyed the little windfall enough that he is now letting Allow offer his data to other advertisers. "I can see this becoming somewhat addictive."

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