Hidden Cost of FREE
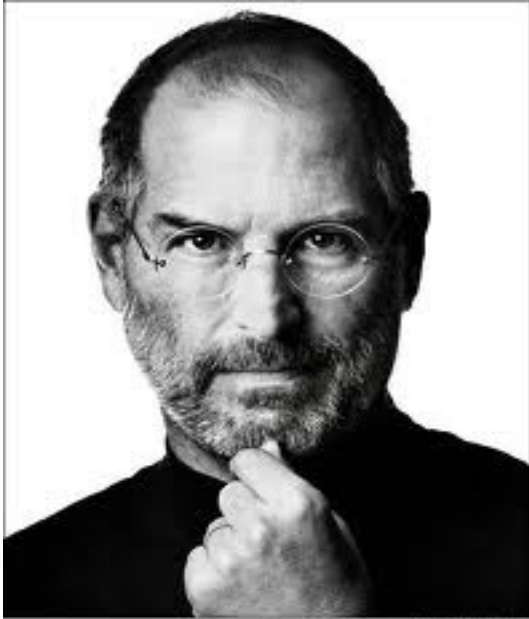

"Here's to the crazy ones. The rebels. The troublemakers. The ones who see things differently. While some may see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do."

Doing it for FREE Online

Part 2

Hidden Cost of FREE

Everything is moving Online

- News and Information
- Conversations
- Music, TV, Movies, Books,
- Banking and Financial Services (e.g. stock trading)
- Reference Material
- Public Records
- Expert Opinions and Analysis
- Pictures and Art
- Telephone connection
- Meetings and gatherings
- Games
- Stores and Marketplaces
- Real Estate
- Items and Inventory
- Maps and Location information
- Traveling
- Mail

Why ?

Hidden Cost of FREE

World wide audience
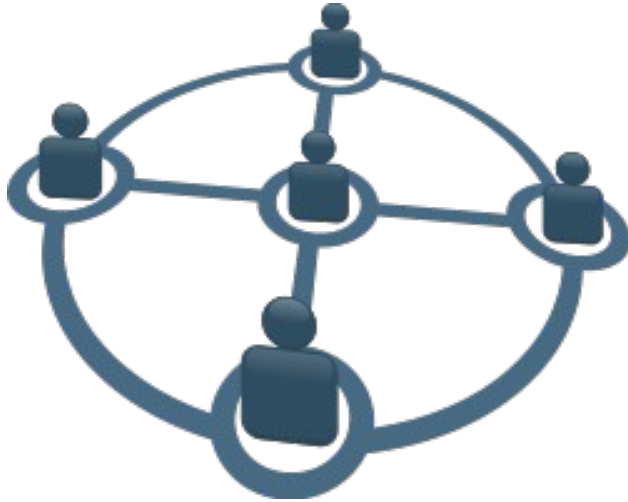
Network with people
all over the world

Customers from
all over the world

Almost FREE !!!

Hidden Cost of FREE

Production costs are still *not free* !

Companies want to make money *on their investment*

Hidden Cost of FREE

Tons of free content and services

Almost FREE !!!

Hidden Cost of FREE

3 Types of FREE (no cost) Websites

WIKIPEDIA The Free Encyclopedia	craigslist	Google
PBS	Dropbox	facebook
Supported with Donations	**Supported with Premium Services** (in-App Purchases)	**Supported with Advertising**

Hidden Cost of FREE

3 Types of FREE (no cost) Websites

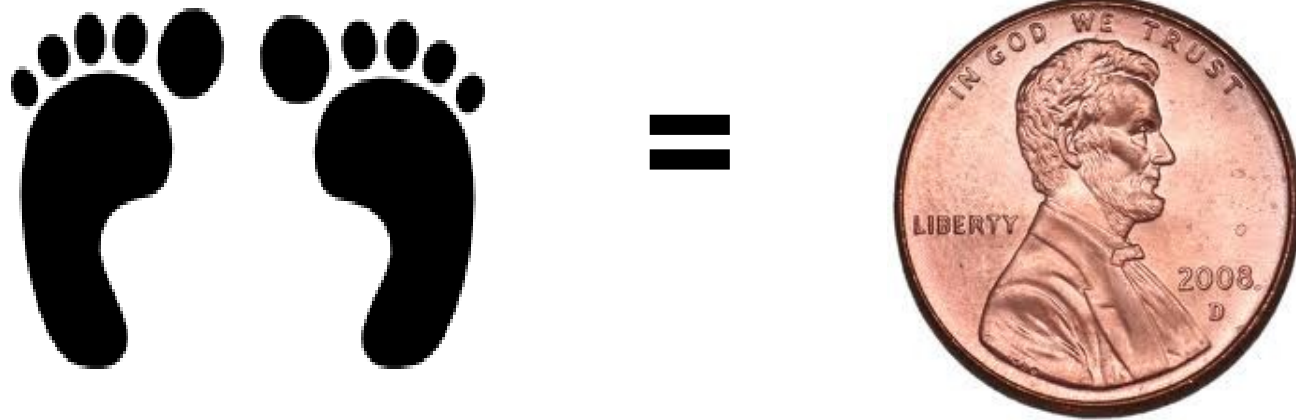| WIKIPEDIA The Free Encyclopedia	craigslist	Google™
PBS	Dropbox	facebook®
Supported with Donations	Supported with Premium Services (in-App Purchases)	Supported with Advertising

Hidden Cost of FREE

Your personal information has value

You exchanged personal information for a online service or digital content.

YOU are the product for online companies!

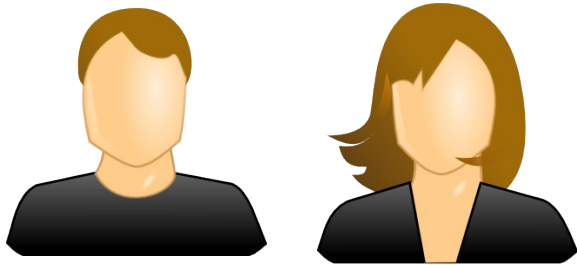# Hidden Cost of FREE

Gathering Information in exchange for FREE

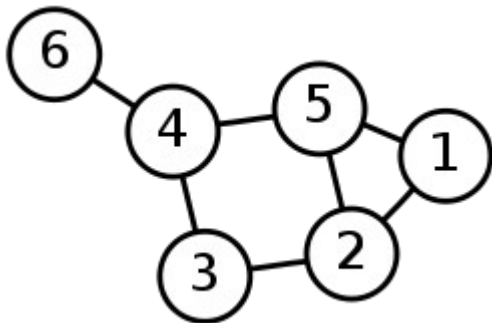Deeper and Broader than you Imagine

Hidden Cost of FREE

Your Personal Information is valuable

Who you are ?

What you do ?

How you relate to the world around you?

Hidden Cost of FREE

No such thing as being anonymous

Internet Providers	Web Browsers	Applications	Devices

Your Personal Information (P.I.) is everywhere

Hidden Cost of FREE

FREE Gathering of Information

Opt-In Gathering (Freely Given)

Posted Information

Scrutinize Gathering (Freely Observed)
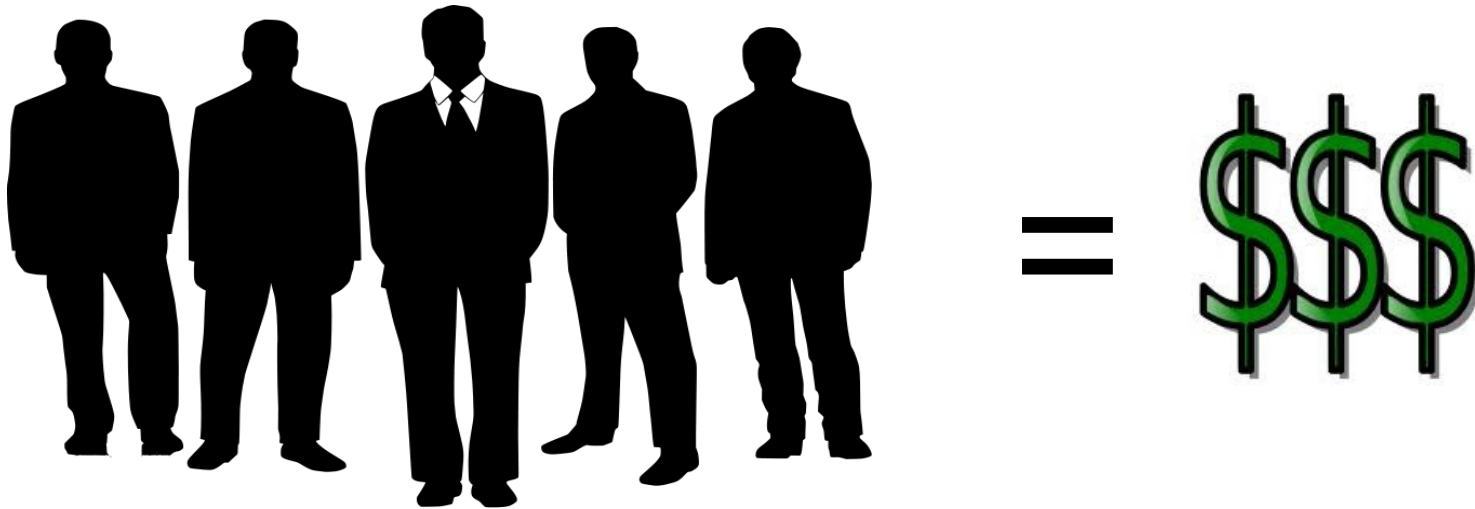
Facebook, Cookies, Keyword Advertising

Dubious Gathering (Freely Taken)

Location Information, Third-party cookies, share P.I.I, required to Opt-Out

Hidden Cost of FREE

FREE Gathering of Information

Who is collecting your information ?
What they are doing with this information?
Why do you care?

Hidden Cost of FREE

Personal Information is not new !!

Advertising profiling is now more personal and more complete

Hidden Cost of FREE
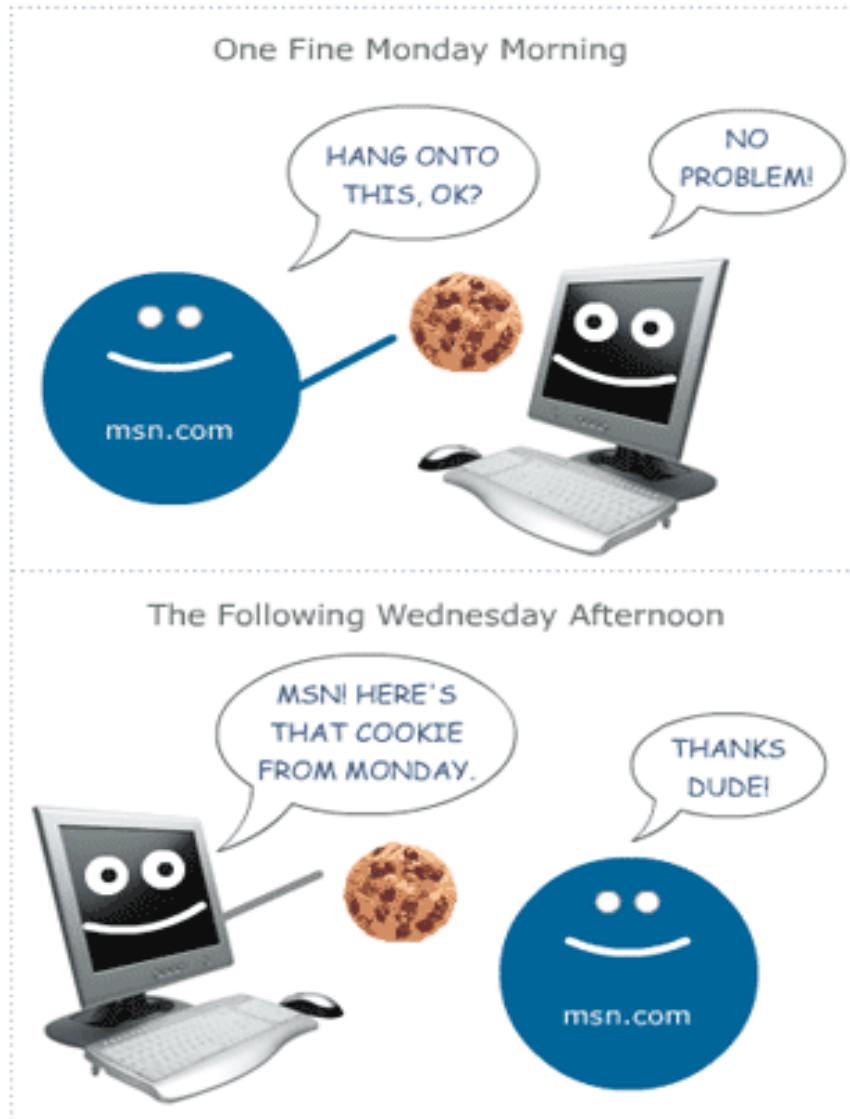
Personal Information is is exchanged for discount

Hidden Cost of FREE

How Cookies Work

- Username
- Password
- Shopping cart
- Previously viewed content

3rd Party Cookies

- Do not come from the domain in the address bar

Hidden Cost of FREE

Cross Site Scripting

How Google = FREE

Google gives away their products and services for FREE instead of selling to consumers directly!

Hidden Cost of FREE

How Google = FREE

Your two cents
worth of information

Hidden Cost of FREE

How Google = FREE

Money made by giving services away to consumers

2010 Revenue : $29,321,000,000
2009 Revenue : $23,651,000,000
2008 Revenue : $21,795,550,000

http://investor.google.com/financial/tables.html

Hidden Cost of FREE

Opt-In : Provide Google with information

You give Google some information (puppy) in exchange for list of websites whose content is about the information you seek (puppies)

Hidden **Cost** of **FREE**

is interested in

Are you interested in ?
- Puppies for sale
- Puppies names
- Learning about puppies
- Cute puppy pictures
- A friend's puppy video
- Puppy Linux

Hidden Cost of FREE

Scrutinized = Google Analytics

~ ½ of top 1,000,000 websites use the G.A. service

http://en.wikipedia.org/wiki/Google_Analytics

Hidden Cost of FREE

Dubious
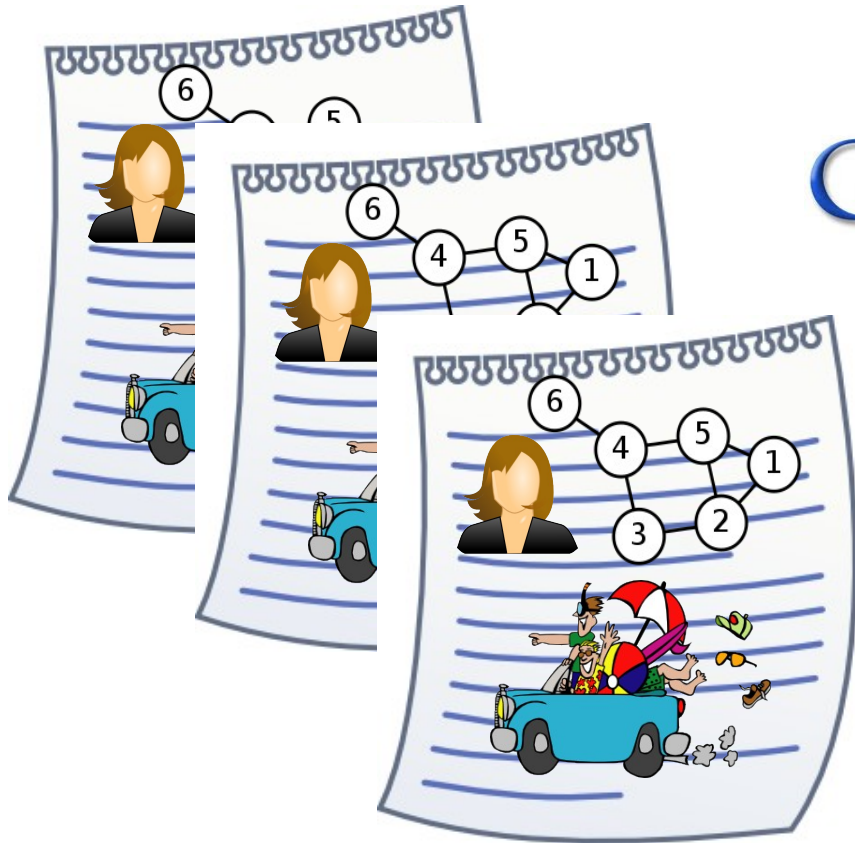
Google

$$$
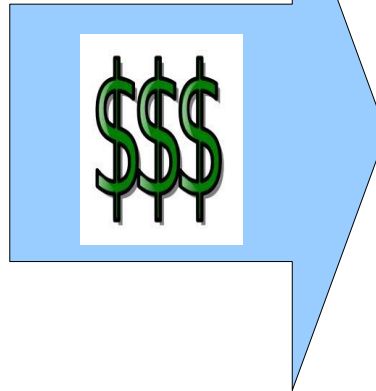
These guys now know you have new puppy, and many more things about you.

Your Online Profile

Hidden Cost of FREE

Opt-In   Scrutinized   Dubious

Hidden Cost of FREE

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PBS	Dropbox	facebook
Supported with Donations	**Supported with Premium Services** (in-App Purchases)	**Supported with Advertising**

Hidden Cost of FREE

How Wikipedia = FREE

5th most visited website on the Internet

2009 - $8,000,000 USD in fund-raising

2010 - $13,000,000 USD in fund-raising

Hidden Cost of FREE

How Wikipedia = FREE
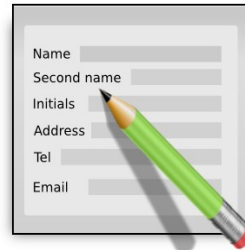
Opt-In

Scrutinized

Dubious

Privacy Policy of Wikipedia

"Except as described above, (to resolve an issue or required by law) *Wikimedia policy does not permit distribution of personally identifiable information under any circumstances."*

http://wikimediafoundation.org/wiki/Privacy_policy

Hidden Cost of FREE

Apple has a history of gathering your information

Apple and our partners and licensees may collect, use, and share precise location data, including the real-time geographic location of your Apple computer or device.

iTunes License agreement

If you Opt-Out, then iTunes stops working
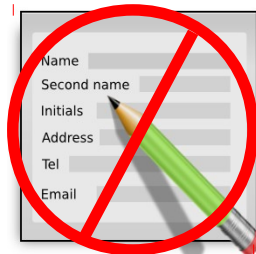
Opt-In   **Scrutinized**   **Dubious**

Hidden Cost of FREE

How Apple = FREE

iCloud

Built in to Apple Apps requires to Opt-Out

""Keeping these devices in sync is driving us crazy," he said. "We have a great solution for this problem. We are going to demote the PC to just be a device. We are going to move the digital hub, the center of your digital life, into the cloud." Steve Jobs (WWDC 2011)

Opt-In   **Scrutinized**   **Dubious**

Hidden Cost of FREE

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Hidden Cost of FREE

Free Alternatives to iCloud

Hidden Cost of FREE

Free Alternatives to iCloud

Shares which music you are listening to automatically with your Facebook friends

Uses P2P technology to offset their bandwidth costs

Opt-In   **Scrutinized**   **Dubious**

Hidden Cost of FREE

In-App Purchasing

33% of the top 100 grossing revenue apps of 2010 for the iPhone are FREE !

1.34% of uses in-app purchases

Why charge a one-time fee of $0.99 when you can sell more inside the game

Hidden Cost of FREE

Virtual Items

World Bank: $3 Billion Virtual Economy

Earned $850 million in revenue in 2010

13% of Internet users purchased virtual goods in 2010

Hidden Cost of FREE

2009: Crystal Palace Space Station
$330,000 USD

2010 : Entropia Universe property including seven domes, a stadium, a mall, a club, and more.
$335,000 USD

Companies can give away applications/content by offering virtual items for sale

Hidden Cost of FREE

In App Purchases

Opt-In

Scrutinized

Dubious

Read the privacy policy if you have concerns about your personal information being shared

Hidden Cost of FREE

3 Types of FREE (no cost) Websites

Supported with Donations	Supported with Premium Services (in-App Purchases)	Supported with Advertising
Opt-In	Scrutinized	Dubious

Hidden Cost of FREE

Summary

- Cost of digital content or services per user is almost zero
  - *Still cost something to create the content*
- Most online companies receive money by either
  - *Donations,*
  - *Premium services*
  - *Advertising*
- All websites collect information
  - *Read the privacy policy*
  - *Assume that everything is public*
  - *Apple, Facebook and others make it hard to Opt-Out*
- In-App purchasing
  - *Future revenue model for application*

Questions & Answers