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CHANGE
Challenge today's security thinking

# The Economics of Online Identity:
6 Buzzwords to Impress your Boss

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If solving market-based problems were trivial, economists wouldn't get paid so much*

◆ A host of economic phenomena characterize online identity

◆ We'll cover six you should drop at your next staff meeting:

1. Limited option sets
2. High search costs
3. High switching costs
4. Asymmetric information
5. Background risk
6. Risk ≠ Uncertainty

*I work for the government <sigh>
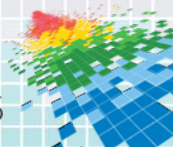
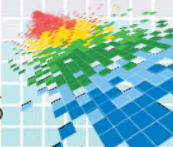| Limited Option Sets	High Search Costs	High Switching Costs	Asymmetric Info	Background Risk	Risk ≠ Uncertainty

#1: If the market were already offering what consumers wanted, we wouldn't need innovation

"Any customer can have a car painted any colour that he wants so long as it is black"

- Henry Ford

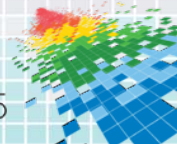| Limited Option Sets	High Search Costs	High Switching Costs	Asymmetric Info	Background Risk	Risk ≠ Uncertainty

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#2: It is prohibitively expensive for a consumer to manage her own personal information

"We spend our time searching for security and hate it when we get it."

- John Steinbeck, America and the Americans

age
marital status
name   net
email   worth
car owner
voting habits
clicks downloads
political   purchases   internet
party   astrological   searches
average   sign   criminal record
spending   kids in
homeowner   house   usernames

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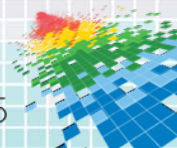RSAConference2015

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#3: A consumer may stick with inferior services due to his overhead costs of switching

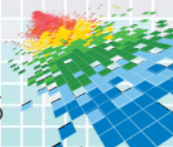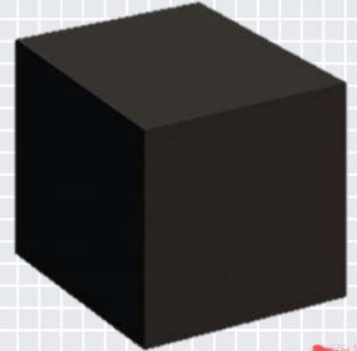"I wish I knew how to quit you."

- Jack Twist, Brokeback Mountain

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Limited Option Sets	High Search Costs	High Switching Costs	Asymmetric Info	Background Risk	Risk ≠ Uncertainty

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#4: It's mostly a black box for consumers

"I know that you know that I know that

you know I try."

- Portugal the Man, "Never Pleased"

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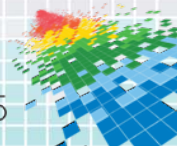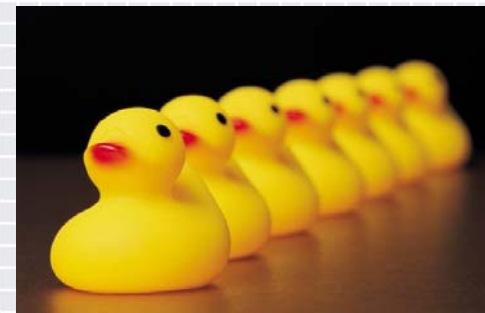
#5: Risks from existing sources reduce incentives to mitigate additional ones

"Any man can make mistakes, but only

an idiot persists in his error."

- Cicero

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#6: A consumer can't manage what she doesn't know

"But there are also

unknown unknowns."

- Donald Rumsfeld
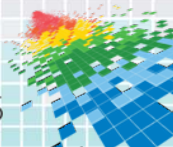
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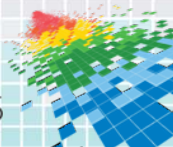**Apply:**
Three fixes for higher returns

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<u>Fix 1</u>: Ask the hard question— are these phenomena hurting me?

"We thought that we had the answers, it was the questions we had wrong."

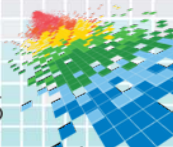– Bono

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<u>Fix 2</u>: Activities that reduce friction increase downstream ROI

"Everything is awesome. Everything is cool when you work as a team."
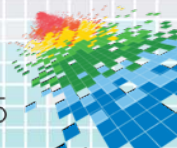
– The Lego Movie

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## <u>Fix 3</u>: Do the things you can do now.

"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."

– Jack Welch

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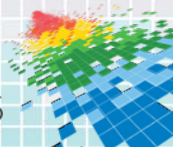
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FIN

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