

## Alternative Business Model: Brave

Summary by Michelle Fang



### General Information

Brave is a fast, open-source privacy-focused browser that blocks third party ads and trackers. Founded in 2015 by Brendan Eich and Brian Bondy, Brave is based in San Francisco.

Background: Eich also created Javascript and co-founded the Mozilla Project, which led to the Firefox browser. Bondy is also ex-Mozilla and has worked at Khan Academy. The founders wanted to address intrusive advertising, the largest problem they perceived with the modern internet. Advertising trackers harm privacy and negatively impact the user experience.

Influences: Brave was first released amidst two significant trends—the cryptocurrency revolution and the prevalence of ad-blocking technology. Brave was one of the first browsers to build ad tracker blockers and released its own cryptocurrency, BAT (Basic Attention Token) to allow users to reimburse sites they choose.

Impact: Brave focuses on user privacy and speed to reimagine how the internet works in terms of usability and economics. On desktops, Brave loads pages 2x as fast as Chrome and Firefox. By eliminating ads and ad trackers, Brave downloads much less content from a website, thus increasing the speed.

How it works: Brave is based on Chromium, open-source code that forms the basis of Google Chrome. The alternative platform is free, does not have access to identifiable user data, and operates a decentralized, transparent digital ad exchange based on Blockchain.

Brave's default is not to block search engine ads; however, users can selectively block if they wish.

**Brave rewards:** users can opt-in to Brave ads to receive the “**basic attention token**” (**BAT**) as a reward for viewing ads. The BAT ecosystem offers users and publishers a better way to fund the Web. With BAT (along with staking users with a share of tokens), Brave will work to offer privately-matched anonymously-verified ads.

BAT compensates users for attention while protecting privacy. Payment system rewards and protects the user while giving better conversion to advertisers and higher yield to publishers. User compensation is in the form of bitcoin and is stored in Brave Wallet.

BAT's purpose: make the user attention market more transparent and efficient.

Business Model: Brave strips out ads from websites, replaces them with its own ads, then allows users to send money to sites they like.<sup>1</sup>

Backlash ensued in 2016 when lawyers for 17 newspaper publishers wrote in a letter to Brave, "Your plan to use our content to sell your advertising is indistinguishable from a plan to steal our content to publish on your own website."

Brave raised \$35 million by selling BAT cryptocurrency to investors. In addition, the BAT value in 2018 equals to over \$70 million (money that Brave has committed to building the Blockchain-based digital ads system).

#### **Effect on publisher revenue:<sup>2</sup>**

1. Brave automatically donates an amount proportional to the attention given to a website
2. Publisher revenue is equal to the amount paid by the advertiser minus the amounts given to the user and Brave, with all transactions being in bitcoin.

#### **Effect on user privacy and utility:**

1. The users' tokens can be donated to content providers or publishers
2. Tokens can also be used to pay for highly-targeted ads, sharing premium content with friends, paying for higher-quality content like high quality audio/video on entertainment websites or a summary of headlines on a news source.
3. Eventually, tokens can be used to purchase digital goods like photos, data services, news archives and datasets for one-time use rather than paying for costly subscription, use within Brave-supported games

User demand: Brave now boasts 13.5 million monthly active users and daily active users of 4.3 million as of March, 2020. According to Dr Johnny Ryan's testimony, Brave's number of users grew 600% in 2019. Users' key considerations for browser selection include: cross-browser compatibility, privacy, speed, and other features such as security, extensions, and user interface.

## **Competition**

### Relevant Market:<sup>3</sup>

The internet browser market is dominated by Internet Explorer, Google Chrome, Mozilla Firefox, Safari, and Opera. There are more web browsing options now than in 2010. A decade ago, Internet Explorer dominated nearly 55% of the market, but in 2019, Google Chrome reached 65% usage and became the most popular browser by far.

### Key Players:

Google's open-source Chromium project has paved the way for browsing alternatives. For instance, Microsoft rebuilt its Edge browser on Chromium. Other Chromium-based alternative web platforms include Opera, Vivaldi, and of course, Brave.

1. Edge has 3 distinct privacy levels to choose from—basic, balanced, and strict.
2. Opera has a well-established software and user base and includes features like integrated messenger support.
3. Vivaldi is highly customizable and has features like built-in note taking.

Epic is another niche web browser that also has an ad-blocking add-on.

How Brave is different: Brave operates without tracking user behavior like rivals. Big tech firms broadcast user behavior to thousands of companies and reap monetary rewards. Brave keeps user profile on the device, ads get sent to device, device decides which ads are shown (difference - data is kept locally).

## **Policy**

Per Dr. Johnny Ryan's testimony, GDPR (General data protection regulation) is essential to support young innovative companies. However, GDPR is currently more on paper than in practice.<sup>4</sup>

Big tech companies create cascading monopolies by leveraging data across various platforms, which can hurt nascent competitors, creates a big moat, and hurts consumer choice. Ad fraud cost is estimated to be at \$42 billion.

Effects: Regulators in Europe are slowly beginning to enforce these rules. In the four quarters after GDPR was introduced, Google and Facebook's year over year growth has fallen and these companies face multiple investigations, which might push for a change in business model.

### Recommendations:

A. 2 tools that regulators should consider:

Article 51B - The purpose limitation principle fences data within a company, so that the company's data on a user cannot be used outside of the user's expectations.

Article 73 - Ease to withdrawal. Opt-in must be as easy to back away from as it is to sign up.

These two tools lead to freedom of market users to decide how to use their data and when to break up these big tech companies.

- B. Give the FTC/rule-making entity authority and more staff. Dr. Ryan mentions that the FTC has 60 people on staff while the Irish regulators have 170+ staff for their population of four million.
- C. Shift to contextual ads, which is safer and a better form of ad targeting. Publishers and small/big businesses would benefit.
- D. Should big tech be broken? One view is that the solution to anti-competitive conduct at companies like Google should be broken up by individual users. Regulators should let users choose what bits of data they let big tech firms use, and so users hold the power to break up big tech if they choose to.

## Endnotes

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<sup>1</sup> Gregg Keizer, "The Brave Browser Basics: What It Does, How It Differs from Rivals," *ComputerWorld* (July 24, 2018).

<sup>2</sup> Brave Software, "Basic Attention Token," available at <https://basicattentiontoken.org/>.

<sup>3</sup> Source: <https://www.paperstreet.com/blog/web-browser-for-you/>

<sup>4</sup> Watch the testimony here: <https://www.youtube.com/watch?v=V7opFXZR0m4>