



# Leading Practices in Behavioral Advertising & Consumer Privacy

Study of Internet Marketers and Advertisers

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Co-presented with Evidon

Independently Conducted by Ponemon Institute LLC

February 2012

## Leading Practices in Behavioral Advertising & Consumer Privacy A Study of Internet Marketers & Advertisers February 2012

### Part 1. Introduction

Prominent marketing and advertising industry associations—including the IAB, 4A's, ANA, DMA, and AAF—have formed the Digital Advertising Alliance (DAA). The result of this alliance is a comprehensive self-regulatory program based on consumer-friendly principles and enforcement standards regarding consumer data collection and usage, often for online behavioral advertising (OBA).

The purpose of this research is to determine what marketers think about the Self-Regulatory Principles, companies' level of compliance and perceptions about their companies' consumer privacy and related marketing practices. The study surveyed 411 advertisers who operate branded websites and corporate marketers who are responsible for online advertising campaigns. The majority of participants (54 percent) are in companies with more than \$500 million in annual revenues. Thirty-two percent are consultants.

To participate in the study marketers had to be “very familiar or familiar” with Federal Trade Commission's *Self-Regulatory Principles for Online Behavioral Advertising* proposed in February 2009. The Principles apply to online behavioral advertising and concerns how online advertisers can best protect consumers' privacy while collecting information about their online activities.

An advertising option icon allows the companies involved in OBA to provide consumers with transparency into and control over how their information is used online. This demonstrates their compliance with the Self-Regulatory Principles. By clicking the icon, consumers will be able to link to a clear disclosure statement regarding the data collection and use practices associated with the ad. It also provides consumers who do not want to be behaviorally targeted with an easy to use opt-out mechanism. According to the findings of the study, currently only 25 percent of marketers say they are providing consumers with notice about data collection and use via the “ad choices” icon as required by the Principles

#### The FTC's Seven Self-Regulatory Principles for Online Behavioral Advertising

- Education for consumers and businesses about online behavioral advertising and the Self-Regulatory Principles.
- Transparency about data collection and use practices associated with OBA, providing consumers with clear, meaningful and prominent notice through multiple mechanisms. This includes the visible advertising option icon discussed previously.
- Consumer Control over whether data is collected and used or transferred for OBA purposes, provided through easy-to-use consumer choice mechanisms.
- Appropriate Data Security for, and limited retention of, data collected and used for OBA purposes.
- Obtaining consumer consent before a Material Change is made to an entity's OBA data collection and use policies unless that change will result in less collection or use of data.
- Limitations on the collection of Sensitive Data for OBA purposes.
- Accountability for entities collecting and using data for OBA purposes, including mechanisms for enforcement of the principles.

An important finding from this study is that more than half of the marketers will be more willing to spend their advertising budget on online behavioral advertising with the self-regulatory program in place. This addresses an important issue raised in our previous study, *Economic Impact of*

*Privacy on Online Behavioral Advertising.*<sup>1</sup> In that study, marketers said privacy concerns about behaviorally targeted advertising methods limited or curtailed spending on OBA by 75 percent.

Some of the most interesting findings include the following:

- Marketers believe limiting sensitive data collection for OBA purposes is key to improving consumer privacy and control when browsing or shopping online.
- Marketers see the value in a self-regulatory program that stems government intervention in OBA.
- Marketers are confident they can achieve compliance with a minimum increase in the cost of doing business.
- Marketers say their organizations will allocate more of their advertising budget to OBA with the self-regulatory program in place.
- Despite their enthusiasm, organizations have a long way to go to achieve compliance with all Self-Regulatory Principles and to have successful programs in place to support compliance.

In the following section, we present the key findings of this research on the following topics:

- Perceptions about OBA and privacy.
- Self-Regulatory Principles marketers consider most important.
- Compliance with the Self-Regulatory Principles.
- Benefits of compliance.
- Affect of the Self-Regulatory Principles on advertising budgets.
- Importance of consumer privacy to achieving business objectives.

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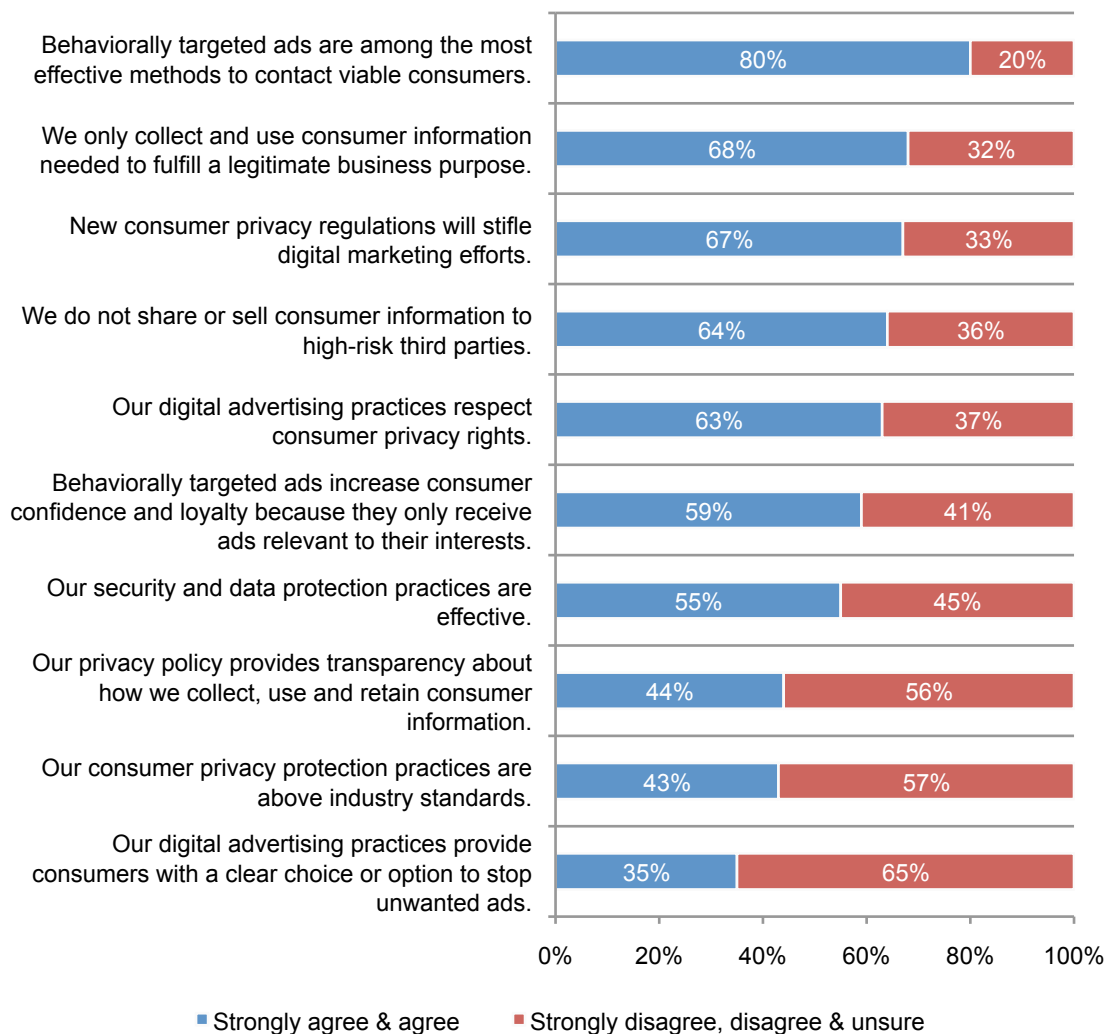
<sup>1</sup> "Economic Impact of Privacy on Online Behavioral Advertising: A Benchmark Study of Internet Marketers and Advertisers," Ponemon Institute, April 30, 2010.

## Part 2. Key Findings

**What marketers think about their organizations' OBA and privacy practices.** According to Bar Chart 1, the majority of marketers in our study are **most likely to agree** that the following practices exist in their companies:

- Behaviorally targeted ads are among the most effective methods to contact viable consumers.
- We only collect and use consumer information needed to fulfill a legitimate business purpose.
- New consumer privacy regulations will stifle innovation in their company's digital marketing efforts.
- We do not share or sell consumer information to high-risk third parties.
- Our digital advertising practices respect consumer privacy rights.
- Behaviorally targeted ads increase consumer confidence and loyalty because they only receive ads that are relevant to their interests.
- Our security and data protection practices are effective in securing consumer information.

**Bar Chart 1: Perceptions about OBA practices**





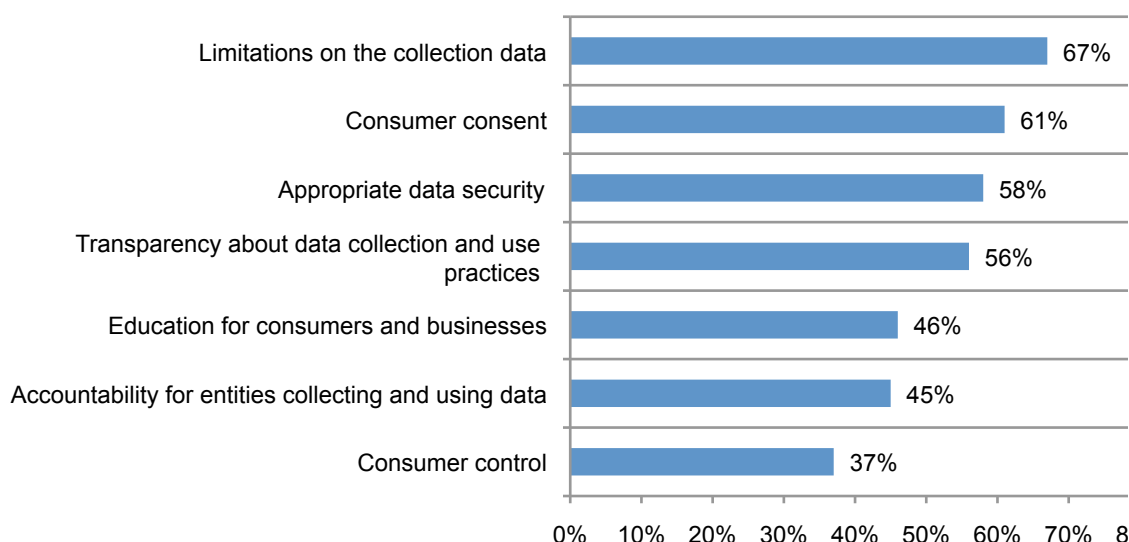
As shown in Bar Chart 1, the OBA practices marketers are more **likely to disagree** that the following practices exist in their organization:

- Our privacy policy provides transparency about how we collect, use and retain consumer information
- Our consumer privacy protection practices are above industry standards.
- Our digital advertising practices provide consumers with a clear choice or option to stop receiving unwanted ads.

**Limitations on the collection of sensitive data and consumer consent are considered the most important Principles.** According to Bar Chart 2, 67 percent of respondents believe limiting sensitive data collection for OBA purposes is key to improving consumer privacy and control when browsing or shopping online. This is followed by 61 percent of respondents who say it is obtaining consumer consent before a material change is made to an entity's OBA data collection and use policies unless that change will result in less collection or use of data.

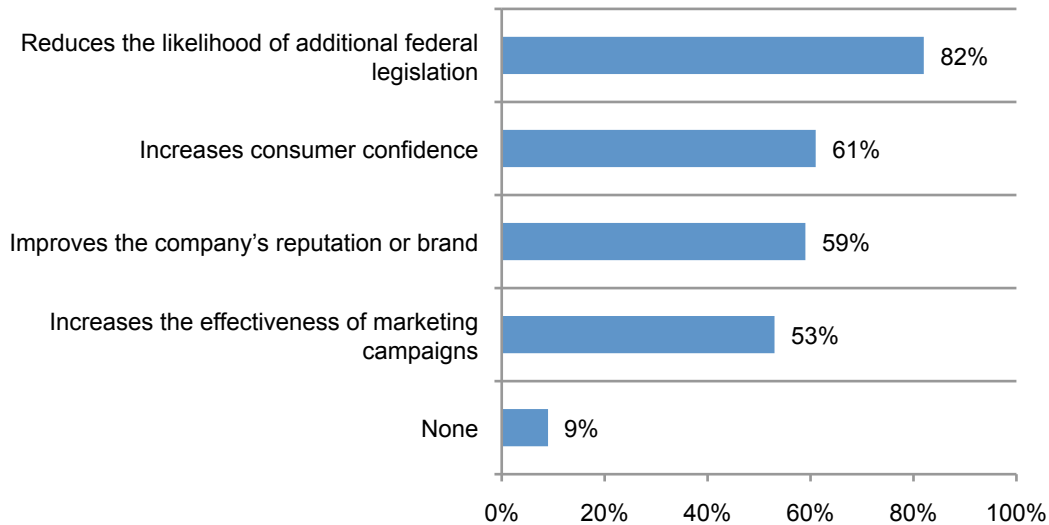
The majority of respondents also believe appropriate data security for, and limited retention of, data collected and used for OBA purposes and transparency about data collection is considered to be either "very important or important". Only 37 percent consider as "very important or important" consumer control over whether data is collected and used or transferred for OBA purposes, provided through easy-to-use consumer choice mechanisms.

**Bar Chart 2: Marketers rate the importance of the Self-Regulatory Principles**  
(Very important and important responses)



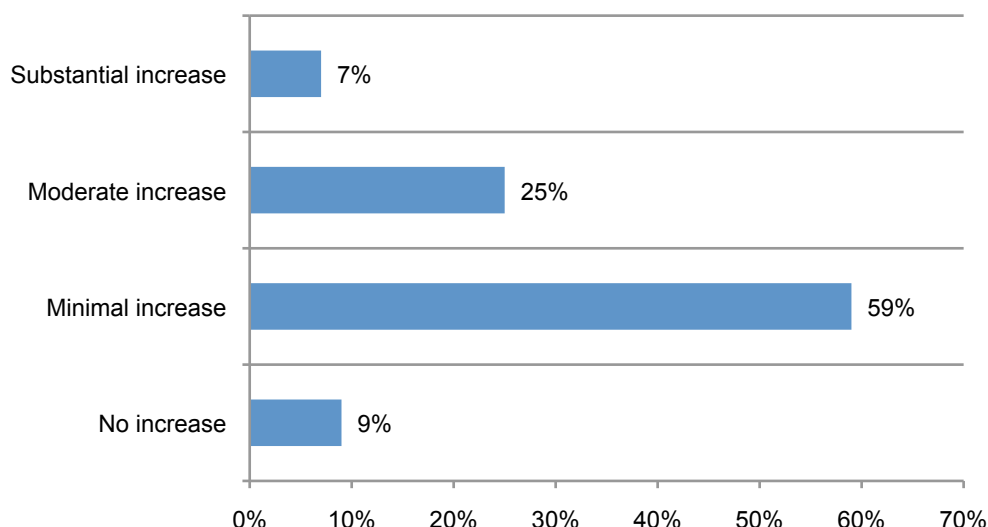
**A reduction in the likelihood of additional federal legislation is the primary benefit of compliance with the self-regulatory program.** In general, marketers are positive about compliance with the self-regulatory program. But the most important benefit by far is avoiding future federal legislation, according to Bar Chart 3. As discussed previously, the majority of marketers agree that new consumer privacy regulations will stifle innovation of their company's digital marketing efforts. Respondents also believe consumers will be more confident when companies demonstrate compliance.

**Bar Chart 3: Benefits of compliance with the Self-Regulatory Principles**  
(More than one choice permitted)



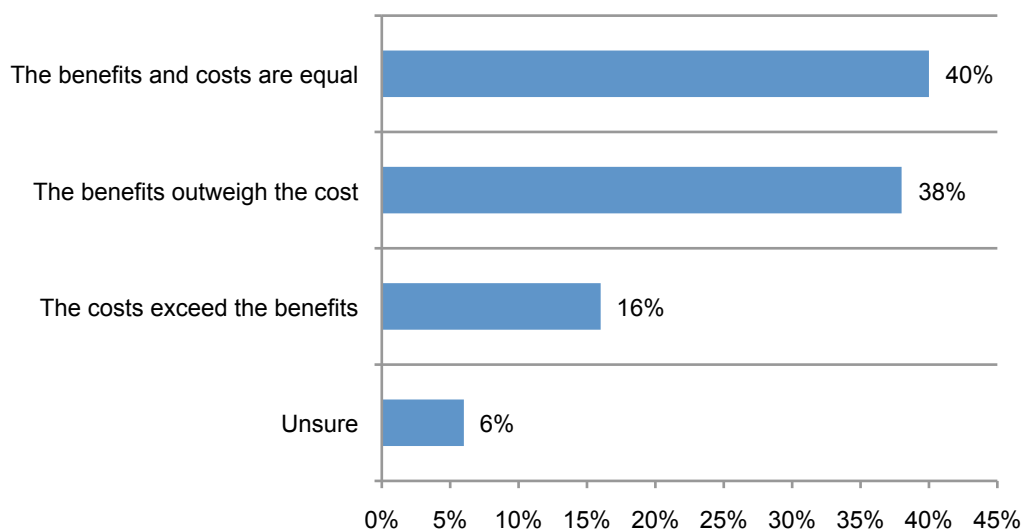
**Marketers believe compliance is worth the cost.** Only 7 percent believe their costs will substantially increase to achieve compliance and the majority (59 percent) says it will only be a minimal increase (Bar Chart 4).

**Bar Chart 4: The affect of compliance on the cost of doing business**



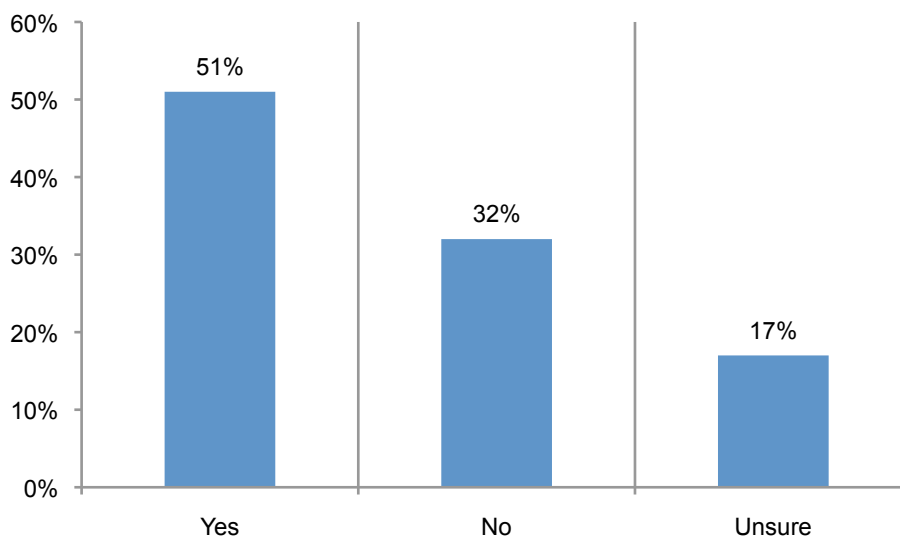
When asked to describe the cost/benefit of these practices, 40 percent say the benefits and costs are equal and 38 percent say the benefits outweigh the cost, according to Bar Chart 5. Only 16 percent say the costs exceed the benefits.

**Bar Chart 5: The cost/benefit of compliance with the Self-Regulatory Principles**



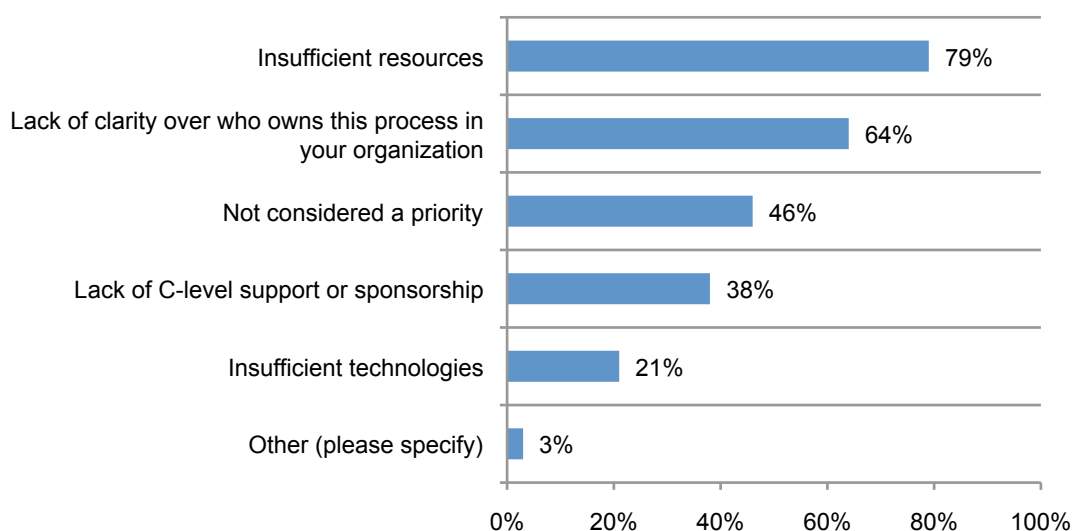
**OBA budgets will increase when the self-regulatory program is in place.** As shown in Bar Chart 6, more than half of marketers say their organization will be more willing to spend its advertising budget on online behavioral advertising when the self-regulatory program is in place. These respondents predict that their organization will increase its online behavioral advertising on average about 39 percent.

**Bar Chart 6: Percentage of marketers who believe their OBA budget will increase due to the self-regulatory program**



**Lack of clarity over who owns the process of achieving compliance may make it difficult to get the necessary budgetary and staffing resources.** While respondents seem to be very positive about the benefits of achieving compliance, the individuals responsible for allocating resources and assigning accountability may need convincing. As shown in Bar Chart 7, 79 percent of marketers need more resources to comply with the Principles and 64 percent say there is a lack of clarity over who owns this process in the organization. Only 21 percent say it is not having the technologies to achieve compliance.

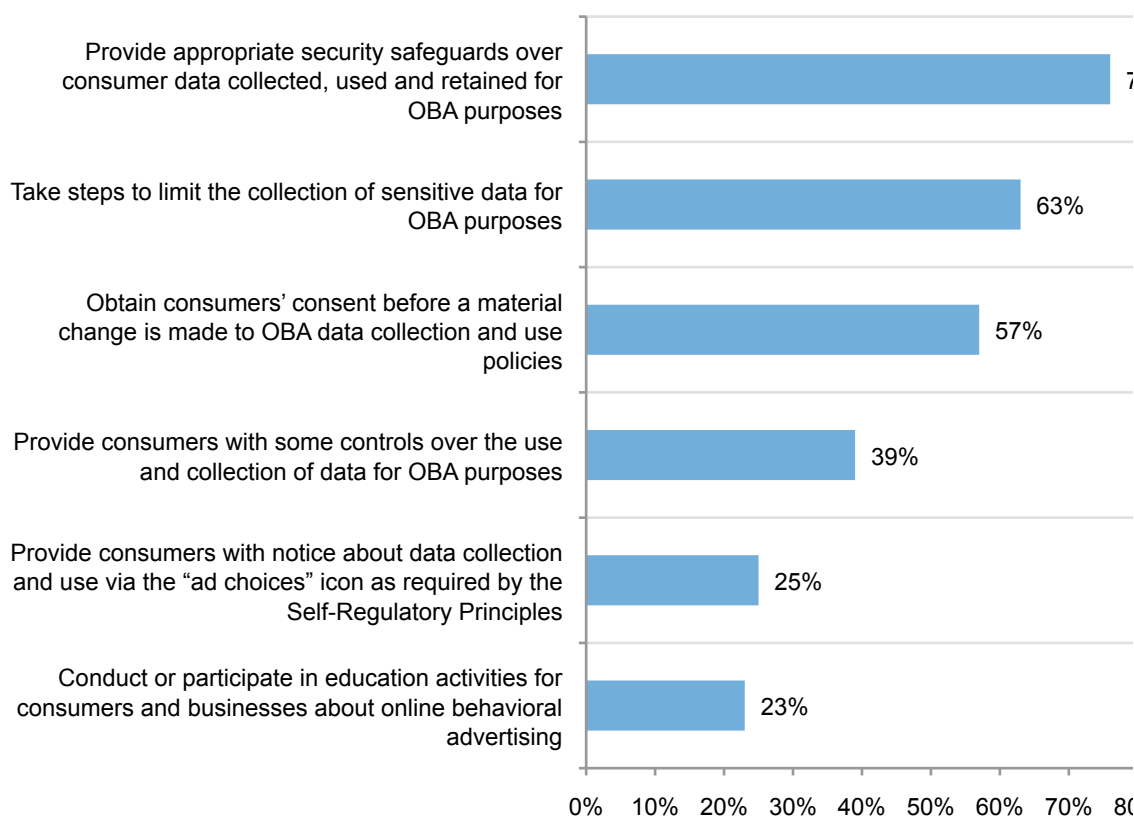
**Bar Chart 7: Barriers to achieving compliance with the Self-Regulatory Principles**  
(more than one choice permitted)



**Marketers say the areas they have achieved the highest level of compliance with the Principles is with the security safeguards and transparency.** As discussed previously, the majority of marketers are confident in their organizations' ability to secure consumer and customer data. Specifically, 76 percent, displayed in Bar Chart 8, say their organization provides appropriate security safeguards over consumer data collected, used and retained for OBA purposes. Other areas of high compliance include steps to limit the collection of sensitive data for OBA purposes (63 percent).

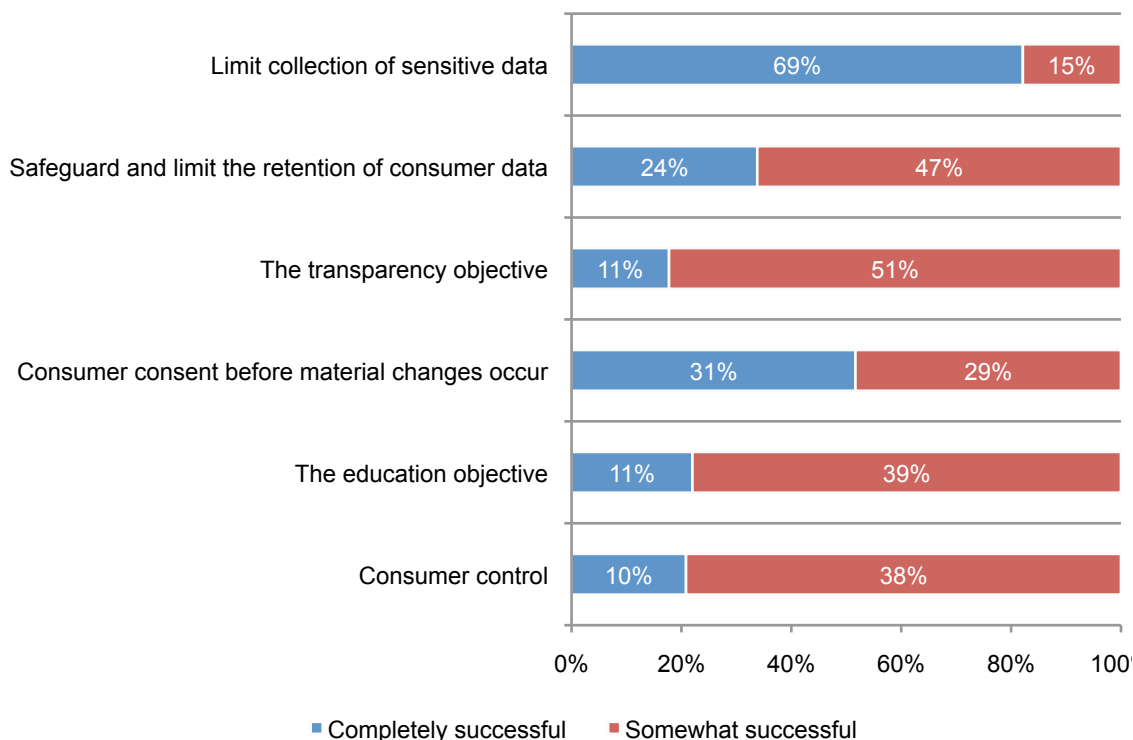
Fifty-seven percent say their organizations are in compliance with obtaining consumers' consent before a material change is made to OBA data collection and use policies. Only 25 percent say they are providing consumers with notice about data collection and use via the "ad choices" icon as required by the Principles and 23 percent say their organization conducts or participates in education activities for consumers and businesses about OBA.

**Bar Chart 8: Compliance with the Self-Regulatory Principles**  
(Yes responses)



By far the most successful compliance activity is limiting the collection of sensitive data for OBA purposes. Sixty-nine percent of respondents say this activity is completely successful. Thirty-one percent say they are completely successful with obtaining consumers' consent before a material change is made to OBA data collection and use policies. Least successful is providing consumers with some controls over the use and collection of data for OBA purposes (10 percent).

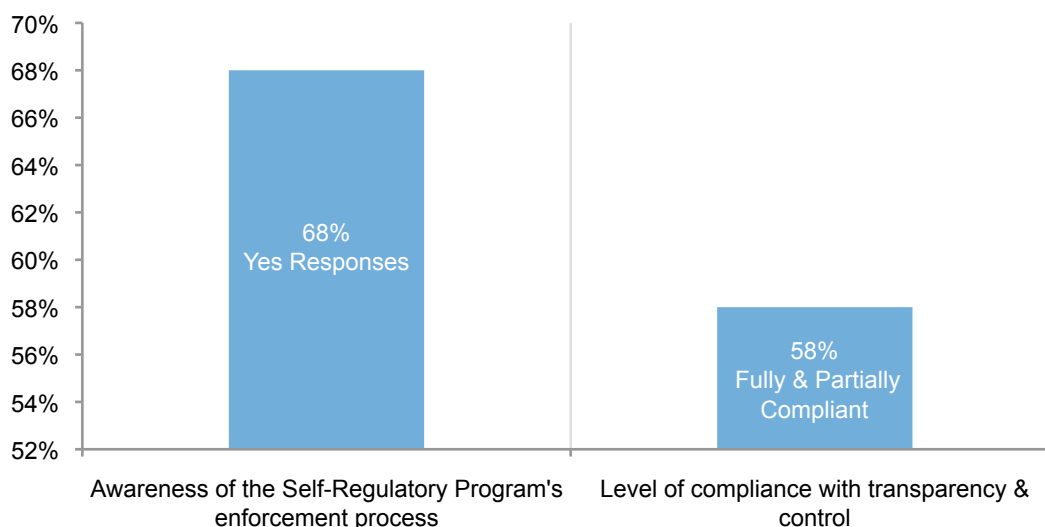
**Bar Chart 9: Marketers rate their organizations success with compliance**





We also asked if marketers' organizations are familiar with the self-regulatory program's enforcement process conducted by the Council of Better Business Bureaus (CBBB) and the Direct Marketing Association (DMA), also known as the "Accountability Mechanisms." As shown in Bar Chart 10, 68 percent say they are aware and 58 percent say they are either fully compliant or partially compliant.

**Bar Chart 10: Familiarity and compliance with "Accountability Mechanisms"**



### **Part 3. Conclusion & Recommendations**

Marketers participating in this study believe in the benefits of the self-regulatory program but face such impediments as not having sufficient budgetary and staffing resources and a lack of clarity over who should own the process within their organizations. Areas where compliance is low are: participating in OBA education activities for consumers and business (23 percent), using “ad choices” icon as required by the Principles (25 percent) and providing consumers with some controls over the use and collection of data for OBA purposes (39 percent).

Based on the findings of this research, we recommend the following steps:

- Create a strategy for achieving compliance with sponsorship from c-level executives such as the chief marketing officer, chief privacy officer or chief information security officer.
- Demonstrate the value proposition of participating in the Self-Regulatory Principles to ensure that sufficient resources are available.
- Engage an expert to assist in the implementation of the program.
- Establish metrics to ensure successful implementation. These can include: number of people trained and limitation on sensitive information collected.
- Conduct a post-implementation review to identify areas in need of remediation.

Previous Ponemon Institute research has shown that OBA is one of the most effective advertising methods. Further, consumers generally favor online advertising that is aligned with their preferences. Compliance with the FTC’s Self-Regulatory Principles provides marketers with the opportunity to both use OBA and demonstrate their commitment to protecting the privacy and security of consumers and businesses.

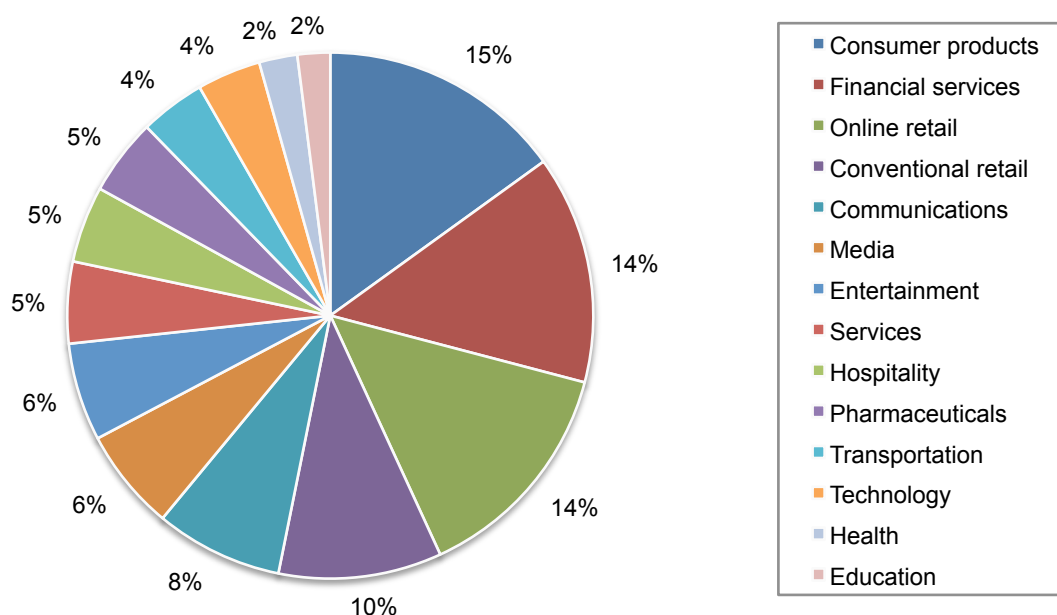
#### Part 4. Methods

A random sampling frame of 10,990 marketing practitioners located in all regions of the United States was used for this survey. Our randomly selected sampling frame was built from proprietary lists of marketing professionals who are responsible for online advertising campaigns or operate branded websites. As shown in Table 1, 10,990 respondents completed the survey. Of the 545 returned instruments, 447 surveys were screened to identify those respondents who have online marketing experience. After removing 36 surveys that failed reliability checks, the final sample was 411 individuals (or a 3.7 percent response rate).

Sample response	Freq	Pct%
Total sample frame	10,990	100.0%
Returns	545	5.0%
Rejected surveys	36	0.3%
Screened surveys	98	0.9%
Final sample	411	3.7%

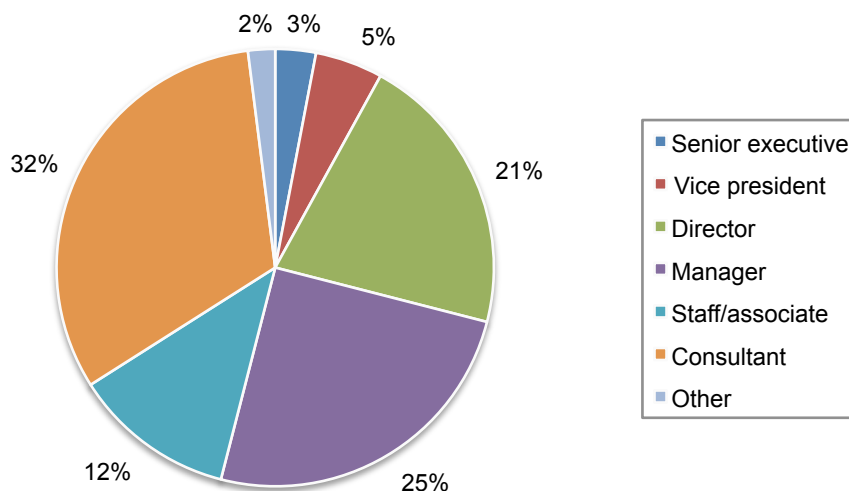
Pie Chart 1 reports the industry segments of respondents' organizations. This chart identifies consumer products (15 percent) as the largest segment, followed by financial services (14 percent) and online retail (14 percent).

**Pie Chart 1. Industry distribution of respondents' organizations**



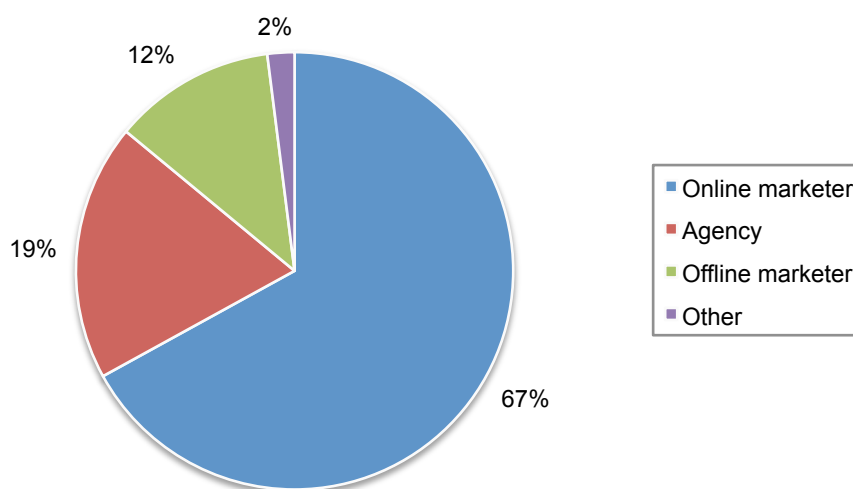
Pie chart 2 reports the respondent's organizational level within participating organizations. By design, 54 percent of respondents are at or above the managerial levels.

**Pie Chart 2. What organizational level best describes your current position?**



The majority of respondents as indicated in pie chart 3 are online marketers (67 percent) followed by agency (19 percent) and offline marketers (12 percent).

**Pie Chart 3. Which best describes your function?**



## Appendix: Detailed Survey Results

The following tables provide the frequency or percentage frequency of responses to all survey questions contained in this study. All survey responses were captured between July and October 2011.

Sample response	Freq	Pct%
Total sample frame	10990	100.0%
Returns	545	5.0%
Rejected surveys	36	0.3%
Screened surveys	98	0.9%
Final sample	411	3.7%

### Part 1. Screening

S1. Are you an advertiser who operates branded websites or a corporate marketer responsible for online advertising campaigns?	Freq	Pct%
Yes	426	84%
No (stop)	83	16%
Total	509	100%

S2. What best defines your level of knowledge or familiarity with the above-mentioned Self-Regulatory Principles?	Freq	Pct%
Very familiar	115	28%
Familiar	233	57%
Not familiar	48	12%
No knowledge (stop)	15	4%
Total	411	100%

<b>Part 2. The Self-Regulatory Principles.</b> The self-regulatory program mentioned above calls for seven specific actions or activities to improve consumer privacy and control when browsing or shopping online. Please rate the importance of each Principle using the following scale. Very important and important response provided.	Very important	Important	Combined
Q1a. Education for consumers and businesses about online behavioral advertising and the Self-Regulatory Principles.	23%	23%	46%
Q1b. Transparency about data collection and use practices associated with OBA, providing consumers with clear, meaningful and prominent notice through multiple mechanisms. This includes the visible advertising option icon mentioned above.	25%	31%	56%
Q1c. Consumer Control over whether data is collected and used or transferred for OBA purposes, provided through easy-to-use consumer choice mechanisms.	18%	19%	37%
Q1d. Appropriate Data Security for, and limited retention of, data collected and used for OBA purposes.	25%	33%	58%
Q1e. Obtaining consumer consent before a Material Change is made to an entity's OBA data collection and use policies unless that change will result in less collection or use of data.	25%	36%	61%
Q1f. Limitations on the collection of Sensitive Data for OBA purposes.	25%	42%	67%
Q1g. Accountability for entities collecting and using data for OBA purposes, including mechanisms for enforcement of the Principles.	16%	29%	45%

Q2a. Does your organization conduct or participate in education activities for consumers and businesses about online behavioral advertising?	Pct%
Yes	23%
No	61%
Unsure	16%
Total	100%

Q2b. If yes, how would you rate your organization's current effort to achieve the education objective as required by Self-Regulatory Principles?	Pct%
Completely successful	11%
Somewhat successful	39%
Not successful	30%
Unsure	20%
Total	100%

Q3a. Does your organization provide consumers with notice about data collection and use via the "ad choices" icon as required by the Self-Regulatory Principles?	Pct%
Yes	25%
No	59%
Unsure	16%
Total	100%

Q3b. If no, how do you handle providing consumers with notice about data collection and use?	Pct%
Send them to the network advertising initiative (NAI) website	11%
Provide a direct link to my organization's opt-outs	13%
My organization does not provide this information	67%
Other (please specify)	9%
Total	100%

Q3c. If yes, how would you rate your organization's current effort to achieve the transparency objective as required by the Self-Regulatory Principles?	Pct%
Completely successful	11%
Somewhat successful	51%
Not successful	13%
Unsure	25%
Total	100%

Q4a. Does your organization provide consumers with some controls over the use and collection of data for OBA purposes?	Pct%
Yes	39%
No	49%
Unsure	12%
Total	100%

Q4b. If yes, how would you rate your organization's current effort to achieve the consumer control objective as required by the Self-Regulatory Principles?	Pct%
Completely successful	10%
Somewhat successful	38%
Not successful	41%
Unsure	11%
Total	100%

Q5a. Does your organization provide appropriate security safeguards over consumer data collected, used and retained for OBA purposes?	Pct%
Yes	76%
No	9%
Unsure	15%
Total	100%

Q5b. If yes, how would you rate your organization's current effort to safeguard and limit the retention of consumer data as required by the Self-Regulatory Principles?	Pct%
Completely successful	24%
Somewhat successful	47%
Not successful	6%
Unsure	23%
Total	100%

Q6a. Does your organization obtain consumers' consent before a material change is made to OBA data collection and use policies?	Pct%
Yes	57%
No	13%
Unsure	30%
Total	100%

Q6b. If yes, how would you rate your organization's current effort to achieve consumer consent before material changes occur as required by the Self-Regulatory Principles?	Pct%
Completely successful	31%
Somewhat successful	29%
Not successful	13%
Unsure	27%
Total	100%

Q7a. Does your organization take steps to limit the collection of sensitive data for OBA purposes?	Pct%
Yes	63%
No	17%
Unsure	20%
Total	100%



Q7b. If yes, how would you rate your organization's current effort to limit the collection of sensitive data as required by the Self-Regulatory Principles?	Pct%
Completely successful	69%
Somewhat successful	15%
Not successful	6%
Unsure	10%
Total	100%

Q8. Is your organization familiar with the Self-Regulatory program's enforcement process conducted by the Council of Better Business Bureaus (CBBB) and the Direct Marketing Association (DMA), also known as the "Accountability Mechanisms?"	Pct%
Yes	68%
No	16%
Unsure	16%
Total	100%

Q9. What one statement describes your organization's level of compliance with the Self-Regulatory Principles of Transparency and Control?	Pct%
Fully compliant	12%
Partially compliant	46%
Not compliant	12%
Unsure	30%
Total	100%

Q10. In your opinion, what are the benefits of compliance with the above-mentioned Self-Regulatory program? Please check all that apply.	Pct%
Reduces the likelihood of additional federal legislation	82%
Increases consumer confidence	61%
Increases the effectiveness of marketing campaigns	53%
Improves the company's reputation or brand	59%
Other (please specify)	5%
None	9%
Total	269%

Q11. In your opinion, how does compliance with the Self-Regulatory Principles affect the cost of doing business for your organization?	Pct%
No increase	9%
Minimal increase	59%
Moderate increase	25%
Substantial increase	7%
Total	100%

Q12. In your opinion, what one statement best describes the cost/benefit of these practices?	Pct%
The benefits outweigh the cost	38%
The benefits and costs are equal	40%
The costs exceed the benefits	16%
Unsure	6%
Total	100%

Q13. In your opinion, what are the main impediments or barriers to achieving compliance with the Self-Regulatory Principles as described above?	Pct%
Lack of clarity over who owns this process in your organization	64%
Lack of C-level support or sponsorship	38%
Insufficient resources	79%
Insufficient technologies	21%
Not considered a priority	46%
Other (please specify)	3%
Total	251%

	Very important	Important	Combined
Q14. In your opinion, how important is protecting consumer privacy to achieving your company's business objectives? Very important and important response provided.	35%	36%	71%

Q15a. In your opinion, will your organization be more willing to spend its advertising budget on online behavioral advertising with the Self-Regulatory program in place?	Pct%
Yes	51%
No	32%
Unsure	17%
Total	100%

Q15b. If yes, in percentage terms, how much will your organization's spending on online behavioral advertising increase? Your best guess is welcome.	Pct%
Less than 5%	5%
6 to 10%	12%
11 to 25%	30%
26 to 50%	21%
51 to 75%	18%
76 to 100%	10%
More than 100%	4%
Total	100%
Extrapolated percentage	39%

Q16. In your opinion, what is an acceptable consumer opt-out rate for targeted advertising? Your best guess is welcome.	Pct%
Less than 1%	7%
2 to 10%	41%
11 to 25%	36%
26 to 50%	11%
51 to 75%	3%
76 to 100%	2%
Total	100%
Extrapolated percentage	17%

### Part 3. Attributions

Q17. Following are 10 statements about your company's consumer privacy and related marketing practices. Please use the scale provided below each statement to express your opinion. Strongly agree and agree response combined.	Strongly agree	Agree	Combined
Q17a. Our company's digital advertising practices respect consumer privacy rights.	32%	31%	63%
Q17b. Our company's digital advertising practices provide consumers with a clear choice or option to stop receiving unwanted ads.	15%	20%	35%
Q17c. Our company's privacy policy provides transparency about how it collects, uses and retains consumer information.	15%	29%	44%
Q17d. Marketers in our company only collect and use consumer information necessary to fulfill a legitimate business purpose.	30%	38%	68%
Q17e. Our company's consumer privacy protection practices are above industry standards.	21%	22%	43%
Q17f. Our company does not share or sell consumer information with high-risk third parties.	30%	34%	64%
Q17g. Our company's security and data protection practices are effective at securing consumer information.	30%	25%	55%
Q17h. Behaviorally targeted ads are among the most effective methods to contact viable consumers.	35%	45%	80%
Q17i. Behaviorally targeted ads increase consumer confidence and loyalty because individuals only receive ads that are relevant to their interests.	29%	30%	59%
Q17j. New consumer privacy regulations will stifle innovation of our company's digital marketing efforts.	31%	36%	67%

### Part 4. Organization Characteristics

D1. What best describes your function?	Pct%
Online marketer	67%
Offline marketer	12%
Agency	19%
Other	2%
Total	100%

D2. What best describes your position level?	Pct%
Senior executive (CMO)	3%
Vice president	5%
Director	21%
Manager	25%
Staff/associate	12%
Consultant	32%
Other	2%
Total	100%

D3. Approximately, what is your company's total annual revenue over the past year?	Pct%
Less than \$100 million	15%
\$101 million to \$500 million	28%
\$501 million to \$1 billion	30%
\$1 billion to \$10 billion	19%
Greater than \$10 billion	8%
Total	100%
Extrapolated value (\$000,000 omitted)	\$2,074

D4. Approximately, what is your company's total headcount?	Pct%
Less than 1,000	19%
1,001 to 5,000	22%
5,001 to 10,000	28%
10,001 to 25,000	14%
25,001 to 75,000	9%
Greater than 75,000	8%
Total	100%
Extrapolated value (headcount)	15,980

D5. Approximately, what is your company's annual advertising budget?	Pct%
Less than \$1 million	11%
\$1 million to \$10 million	25%
\$11 million to \$50 million	32%
\$51 million to \$100 million	19%
Greater than \$100 million	13%
Total	100%
Extrapolated value (\$000,000 omitted)	\$38.33

D6. Approximately, what percent of your company's annual advertising budget is dedicated to digital media (including social media)?	Pct%
Less than 10%	5%
11% to 20%	11%
21% to 30%	14%
31% to 40%	30%
40% to 50%	30%
More than 50%	10%
Total	100%
Extrapolated percentage	35%

D7. What industry best describes your company's industry sector?	Pct%
Online retail	14%
Conventional retail	10%
Financial services	14%
Consumer products	15%
Software & technology	4%
Health	2%
Services	5%
Entertainment	6%
Communications	8%
Pharmaceuticals	5%
Transportation	4%
Media and publications	6%
Hospitality	5%
Education	2%
Other	0%
Total	100%

D8. What is your company's geographic footprint? Check all the global regions that apply.	Pct%
United States	100%
Canada	63%
Europe	65%
Middle east & Africa	47%
Asia-Pacific	56%
Latin America	55%

D9. Who within your company is most responsible for consumer privacy issues?	Pct%
Chief privacy officer	10%
Chief marketing officer	14%
Chief information officer	8%
Chief information security officer	9%
Legal (general counsel)	14%
Compliance	7%
Human resources	0%
Other (please specify)	1%
No one person has this responsibility	30%
Unsure	6%
Total	100%

D10. Please check the marketing associations that your organization is a member?	Pct%
American Advertising Federation (AAF)	12%
American Marketing Association (AMA)	39%
Association of National Advertisers (ANA)	21%
Better Business Bureau (BBB)	53%
Digital Advertising Alliance (DAA)	20%
Direct Marketing Association (DMA)	60%
Interactive Advertising Bureau (IAB)	29%
Network Advertising Initiative (NAI)	23%
Other	2%
Not involved in the above voluntary programs	31%
Total	290%

Thank you for your participation. All responses are completely confidential.  
Please contact [research@ponemon.org](mailto:research@ponemon.org) or call us at 800.887.3118 if you have any questions.

## Ponemon Institute

*Advancing Responsible Information Management*

Ponemon Institute is dedicated to independent research and education that advances responsible information and privacy management practices within business and government. Our mission is to conduct high quality, empirical studies on critical issues affecting the management and security of sensitive information about people and organizations.

As a member of the **Council of American Survey Research Organizations (CASRO)**, we uphold strict data confidentiality, privacy and ethical research standards. We do not collect any personally identifiable information from individuals (or organization identifiable information in our business research). Furthermore, we have strict quality standards to ensure that subjects are not asked extraneous, irrelevant or improper questions.