A guide to
Online behavioural
ADVERTISING

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Contents

introduction

By Guy Phillipson

chief executive, Internet Advertising Bureau

The 'father' of advertising and retail tycoon, John Wanamaker, once famously said:

"Half the money I spend on advertising is wasted; the trouble is I don't know which half."

We've heard it quoted it to us many times before and it has rung true for the decades after his death in 1922. Until the internet that is. Today's online space offers brands a communication tool like no other: an interaction with users that is unrivalled in any other media. It has changed marketing and the way we communicate forever. Behavioural advertising (or targeting) is helping foster this change, giving campaigns greater edge and a reach to the users that are more likely to be interested in the marketer's messages.

From painters to politicians, we all need to tailor what we 'say' to the audience we wish to connect with. At the same time it is offering web publishers a significant model to achieve a better return on the investment they make in their online content, services and applications.

The UK Government's Digital Britain project highlighted an important debate about how we access the internet and how the content we value and enjoy is provided. It's a debate that will continue as we spend and do more online. The Government's final report mentioned the importance of behavioural advertising as one of several business models to help convert "creativity into value."

The report also said that behavioural advertising needed to be handled carefully. For many the pace of change on the internet is empowering – they can't get enough. For others it is too fast. Whichever camp you fall into, a careful balance is required: delivering a message more relevant and interesting to users whilst addressing concerns and safeguarding privacy. It is a learning curve for us all, and many businesses are built upon this balance.

I therefore welcome this guide for the industry. It is timely: we need to correct the myths and misperceptions about targeted advertising, show marketers and web publishers its significant benefits and learn from overseas markets. Above all we need to demonstrate to users, industry and policy-makers that we are transparent, listen to concerns and take privacy seriously, and deliver the measures to give them all the confidence and comfort needed to embrace this change.

jargon buster

All the important behavioural advertising terms explained

Advertising Network - A company that connects websites and media owners with relevant advertisers.

Contextual advertising - Advertising targeted at a specific individual when visiting a website. Automated systems serve adverts depending on the page content. For instance, when viewing a film review website, the user could be served new cinema releases, latest DVDs or film merchandise advertising. Contextual advertising is also used by search engines to display advertisements on their search results pages based on the keywords in the user's query.

Cookie - A cookie is a small file of letters and numbers downloaded on to your computer when you access certain websites. Cookies allow a website to recognise a user's computer. A cookie itself does not contain or collect information. Cookies are used in behavioural advertising to identify users who share a particular interest so that they can be served more relevant adverts.

Display advertising - Graphical adverts displayed when users visit a particular website. These are usually in the form of 'banners' or a video.

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Online Behavioural Advertising - A technique used to make use of information about web-browsing behaviour to deliver advertisements tailored to individuals' interests.

Opt-out - Opting out enables individuals to decline, stop or avoid receiving unsolicited product and service information. In this case, it is advertising aimed at them based upon previous web browsing activity. Click here **http://www.youronlinechoices.co.uk/opt-out** to opt out of behavioural advertising by those companies complying with the IAB Good Practice Principles for behavioural advertising.

Personally identifiable information (PII) - This is information that, either by itself or in conjunction with other information, can uniquely identify an individual. Examples of personally identifiable information include a name, street address, email address or telephone number. PII is defined in EU directive 95/46/EC.

Web browser - Software that retrieves and collects information resources and arranges and displays the results in a standardized form on a computer. Examples include Internet Explorer, Firefox, Chrome, Safari and Opera.

online behavioural advertising

By Stuart Colman

managing director – european operations, AudienceScience

Advertising supports much of the content, services and applications available to users on the internet for little or no cost. Many small and emerging companies depend on online advertising to facilitate their market entry and build competitive and successful businesses. Effective online advertising helps to maintain the low barriers to entry that have played a crucial role in the robust competition and innovation that fuel this medium.

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Advertising on the internet is increasingly targeted and one of the ways this can be done is based upon user interests or behaviour. This is achieved when user interests are collected from web browsing activity over a period of time.

How does behavioural advertising work?

Behavioural advertising or interest-based advertising is intended to make display advertising that is more relevant to users' likely interests. More relevant advertising is beneficial for both users and advertisers: users discover more of what interests them and advertisers find a better way to communicate with users.

Providers of behavioural advertising (eg an advertising network – *see Figure 3*) create audience segments (*see Figure 1*) based on web sites visited over a period of time with a particular browser. These audience segments are then used to provide relevant advertising to users within that segment. For example, a user may visit golf sites often and thus be categorised in the 'golf enthusiasts' segment. Some businesses now offer this in real time without the need to create a specific audience segment.

THE AUDIENCE TARGETING TABLE OF ELEMENTS

Figure 1: Web browsing activity is categorised into interest segments.

There are three main business models for behavioural advertising varying in the scope of what information is used and how it is collected:

1. A web publisher may collect and use information on an internet user's browsing activities from its own website(s) to provide behavioural advertising. This is often known as 'first party' behavioural or interest-based advertising. A web publisher may use an agent (eg a technology company) to collect the information to deliver the advertising. This model would not normally include user declared interests within a profile on a social networking site. *See Figure 2.*

Figure 2:
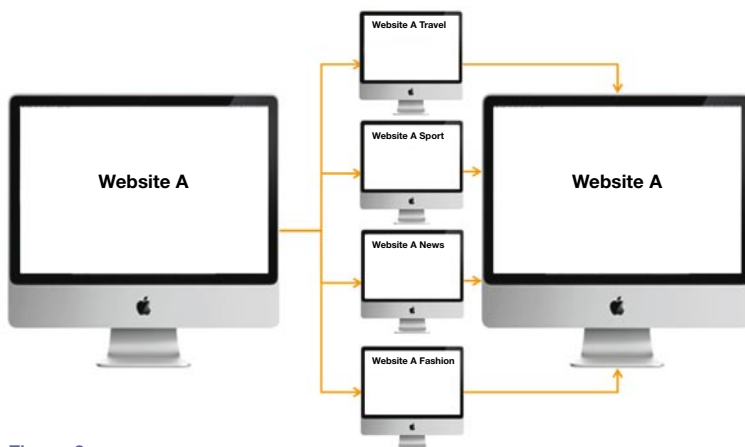A web publisher collects and uses
browsing activity in its own website.

2. A web publisher may partner with an advertising network which collects and uses information when an internet user visits one of a number of websites participating in that particular network or information about searches that user has made. This is often known as 'third party' behavioural or interest-based advertising.

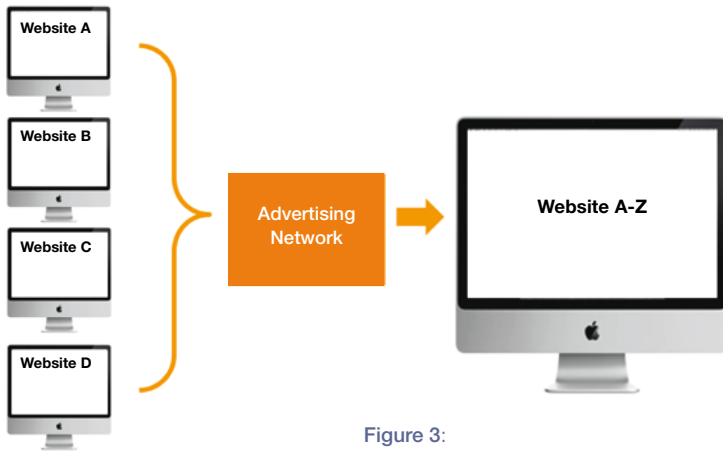**3.** A newer business model is when providers make use of internet traffic data passing through Internet Service Providers (ISPs). *See Figure 4.*
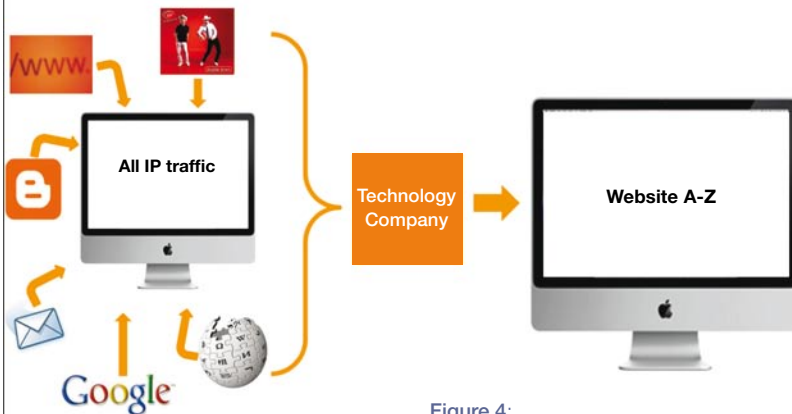
Figure 4:
A technology company collects and uses information from IP traffic at an ISP level.

All providers have to comply with the law and, in most cases, the information used for providing you with these adverts is not personal, in that it does not identify the internet user.

Data about your web browsing activity is collected and analysed anonymously. If this analysis infers a particular interest, a cookie – a small file used by most websites to store useful bits of information to make your use of the internet better – is placed in your computer and this cookie (not your browsing data) determines what advertising you receive. *See Figure 5*. Where personally identifiable information (like registration data) is used, an internet user will have been told about it in the website's privacy policy when he or she registered for a particular service.
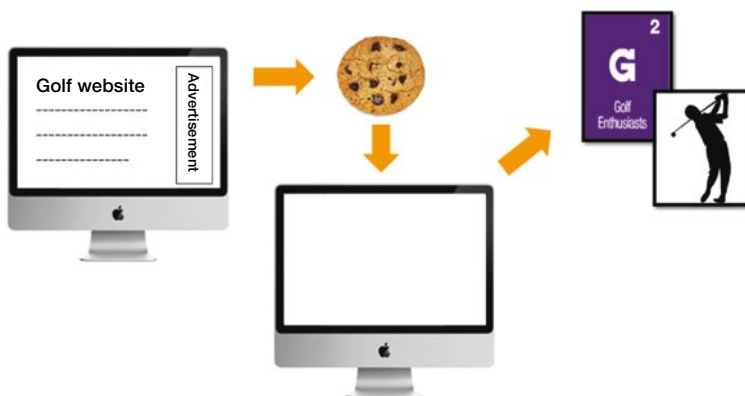
Figure 5:
How a cookie determines the interest segment.

How is behavioural advertising different to other types of display advertising?

Behavioural advertising is different to other types of display advertising. For example, **contextual advertising** is where advertisements are served within a chosen 'context' by the selection of a website focused on a particular topic. An example is when a user is shown an advertisement for tennis rackets solely because he/she is visiting a tennis-related website. Behavioural advertising is also different to **demographic advertising** where advertisements are served based upon specific information provided by the user (eg gender, age, location). An example is when a teacher living in London who has registered on a jobs website is shown advertisements for teaching opportunities in London whilst on that site but not necessarily in the teaching section.

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attitudes & behaviour

By Amy Kean
senior PR and marketing manager, Internet Advertising Bureau

and Marc Dautlich
technology partner, Olswang

OLSWANG

For years in the advertising world we've talked about "putting the consumer first". What once may have been simple lip service to make us marketers appear to have our audience's interests at heart, is now an incredibly significant concept. As online becomes more about the internet user and ads become more targeted, it's never been more important to consider and respect consumers in order to keep digital marketing popular, and effective.

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With various social media properties amplifying the voice of the general public, if consumers aren't happy then sooner or later you'll know about it. As an industry we have a genuine responsibility to keep them informed of new marketing techniques.

Dispelling the myths

Many myths surround the practice of online behavioural advertising, with the phrase 'Big Brother' commonplace amongst the misinformed commentary ever since OBA emerged. Tall tales of Minority Report-esque scenes depicting greedy advertisers stalking unwitting consumers are unfounded, yet in its early days, OBA was an easy target for those who did not understand the technology that facilitates it. But what do real people really think about targeted or interest-based advertising, and do they even care?

A study in 2009 conducted by Coremetrics found that marketers currently misunderstand consumer attitudes towards online behavioural advertising. The survey revealed that two thirds of UK advertisers believe that consumers are not happy to be targeted in this way, and almost half felt that consumer opinion towards behavioural targeting is so negative that the marketing tactic needs to be renamed with a less aggressive sounding term. At the same time, the survey found that 45% of consumers felt behavioural targeting brought offers and promotions to their attention, whilst 35% thought it helped them to discover new and relevant products. Such results prove just how essential it is to incorporate consumer research into their views on the practice of OBA, and then tailor our communications and offerings accordingly to avoid any future backlash towards this type of marketing.

IAB Online Behavioural Advertising research in partnership with Olswang, 2009

In September 2009, the Internet Advertising Bureau in partnership with law firm Olswang carried out a landmark quantitative study into online behavioural advertising.

Enlisting research company Basis, they conducted research using a nationally representative sample into consumer opinion and behaviours including general trust in the internet, feelings towards online privacy and how much information consumers currently share online in order to provide us with a bigger attitudinal picture. Quotas were also set on hours spent using the internet for personal use to get a good mix of light, medium and heavy user.

The results confirmed what we've all been expecting throughout our marketing careers, that consumers are relatively indifferent to advertising. They would rarely seek out branded content and few could describe themselves as 'fans' of online ads, but make sure they don't have to pay for content, and provide marketing messages more relevant to their interests and in the main they're much happier folk. Currently there is a lack of general knowledge surrounding online behavioural advertising accompanied by a moderate level of public appeal, however the study found that there is strong potential for greater acceptance given wider consumer education. Quite predictably, those who are more acquainted with the internet, for example heavy internet users and the younger demographic are more trusting of online, and marketing methods such as OBA.

The sections that follow, whilst undeniably statistic-heavy, present a thought-provoking and thorough picture of where the land lies in terms of consumer opinion, wants and needs, and present us with some important conclusions for the industry.

Do people trust the internet?

Many of us remember those early days of online which were dogged with tales of SPAMMING, phishing and pharming, but confidence in the internet has increased dramatically as consumers understand the extent to which their data is protected. So in short, yes, people today do trust the internet. When asked if, compared to five years ago, they trusted the internet more (in terms of it being safe and secure) 50% agreed that they did, with only 4%
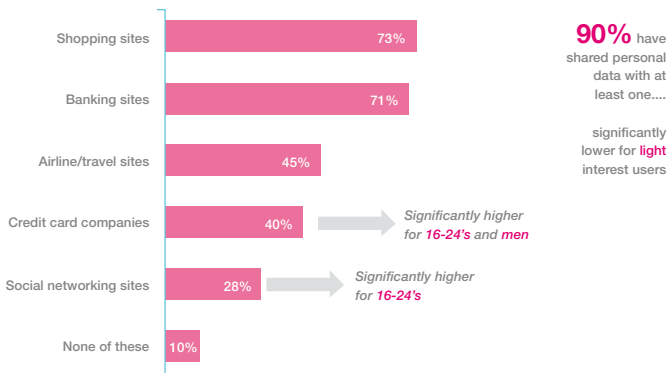
of respondents stating that they trusted the medium less. Unsurprisingly, the younger demographic (16 – 24 year olds) were far more comfortable with the internet, with 65% of this group claiming to find the internet more safe and secure than 5 years ago.

Sharing personal data with other sites

Most people have shared personal information via these sites so are familiar with doing this online – although lighter internet users were less likely across the board to have provided information

Have you ever provided or shared any personal data with any of the following types of websites...?

Website type	%
Shopping sites	73%
Banking sites	71%
Airline/travel sites	45%
Credit card companies	40% — Significantly higher for *16-24's* and *men*
Social networking sites	28% — Significantly higher for *16-24's*
None of these	10%

90% have shared personal data with at least one....

significantly lower for **light** interest users

In fact, 90% of respondents in the study have shared personal data with at least one type of website, with shopping sites (73%) and banking sites (71%) being the most popular. Even for the relatively new social networking sites, almost a third (28%) of people had shared personal information, and were comfortable doing so. Displaying an overwhelming trust in the internet of today, only 1% of people believed that personal data either on their own computer or that shared with other suppliers was not at all secure, compared to 94% of respondents who were happy to share personal data online.
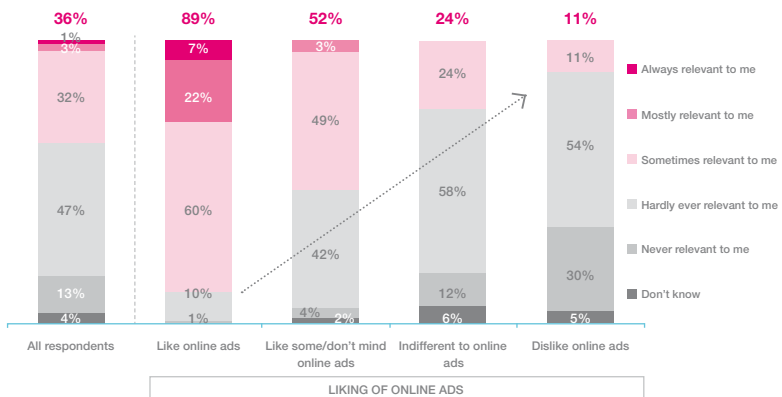
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But do people like online ads?

Once again a look at the history books tells us that the early days of online weren't so great for building the reputation of online advertising. For those not immersed in the industry it's easy to revert back to images of dastardly pop ups and intrusive irrelevant ads that were served when advertisers and agencies were still finding their feet in digital creativity. Whilst 30% of respondents stated that they didn't like online advertising at all, what the study revealed was a general feeling of indifference to ads online, possibly due to the fact that they have now become part and parcel of our surfing experience. Whilst 46% felt some positivity towards online ads around a quarter of people (24%) neither like nor dislike internet advertising.

However, once you delve slightly deeper into consumer attitudes there exists a significant correlation between those who like online ads and those who feel internet advertising is relevant to them. The graph below illustrates that those who feel they are exposed to relevant ads are more likely to hold them in a more positive light.

Relevance of current online ads

Strong correlation between likeability and relevance, with those who dislike advertising being the least likely to see any relevance in what they see. Just over a third of respondents believe they are currently being exposed to relevant advertising

	All respondents	Like online ads	Like some/don't mind online ads	Indifferent to online ads	Dislike online ads
	36%	**89%**	**52%**	**24%**	**11%**
Always relevant to me	1%	7%			
Mostly relevant to me	3%	22%	3%		
Sometimes relevant to me	32%	60%	49%	24%	11%
Hardly ever relevant to me	47%	10%	42%	58%	54%
Never relevant to me	13%	1%	4%	12%	30%
Don't know	4%		2%	6%	5%

LIKING OF ONLINE ADS

Which paves the way for
Online Behavioural Advertising…

As discussed earlier, it's essential for OBA practitioners to be aware of the consumer understanding and acceptance of this type of advertising, not only to make sure your ads are likely to be effective, but also as a customer service exercise. The IAB and Olswang research investigated awareness, reactions and general levels of appeal of OBA, as well as how much control they would like over targeted advertising online. As expected, there were varying degrees of knowledge about OBA, however the results showed that the more people knew about it and the more they knew about their online choices, the more comfortable and receptive they were to being served ads based on their interests and anonymous surfing behaviour.

- General knowledge was low, with 72% of respondents claiming to be unaware of online behavioural advertising.

- However this increased to 46% when they were given a prompted explanation and example suggesting that education is key in this area.

- Awareness was mixed, with 38% of people having actually noticed (or thought they noticed!) OBA taking place.

- Whilst around the same amount (35%) stated they had never noticed being served more relevant ads.

Among those who had heard of OBA there was a good level of comprehension, with the majority able to accurately describe the concept, an interesting finding here was that definitions and responses were, on the whole, unemotional – they were aware of the facts and were satisfied with what took place.   In fact, when the process of OBA was explained to respondents in more detail almost a quarter (23%) found the concept appealing.

But online behavioural advertising doesn't exist without negative connotations attached to it, and it's important to recognise these in order to inform future communications and that a further job needs to be done to educate consumers.

Of those who found OBA very unappealing (20% of respondents) reasons included that it feels invasive, that people are concerned that personal data will be stored permanently without their knowledge, and also that other companies would somehow have access to their personal data. All of which are (understandably) misinformed and need to be addressed as the industry moves forward.
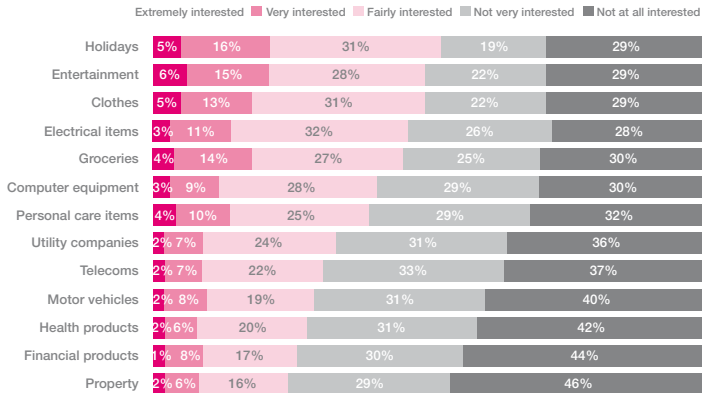
The need for education

What the study found is that when people become more educated about online behavioural advertising, they find the process far more appealing. Just 22% of respondents were aware that – in the vast majority of cases - no personal data is collected or stored for OBA. Once those surveyed were informed that this was the case, the level of appeal increased, with 38% finding OBA more appealing.   When asked whether they would prefer OBA as opposed to non-targeting ads, the responses were polarised, with 27% of people opting for OBA whilst 17% preferring non-targeted ads.

So what sectors would consumers most like to receive advertising on, based on their previous surfing behaviour? The more 'leisurely' and less personal categories appeared to come out on top, with holidays and entertaining receiving the most interest, as shown in the graph opposite.

Interest in targeted ads by product type

There is most interest in receiving targeted advertising on the more leisure centric areas – holidays, entertainment and clothes, although frequent & functional items such as groceries & personal care products are also popular

	Extremely interested	Very interested	Fairly interested	Not very interested	Not at all interested
Holidays	5%	16%	31%	19%	29%
Entertainment	6%	15%	28%	22%	29%
Clothes	5%	13%	31%	22%	29%
Electrical items	3%	11%	32%	26%	28%
Groceries	4%	14%	27%	25%	30%
Computer equipment	3%	9%	28%	29%	30%
Personal care items	4%	10%	25%	29%	32%
Utility companies	2%	7%	24%	31%	36%
Telecoms	2%	7%	22%	33%	37%
Motor vehicles	2%	8%	19%	31%	40%
Health products	2%	6%	20%	31%	42%
Financial products	1%	8%	17%	30%	44%
Property	2%	6%	16%	29%	46%

The importance of consumer empowerment

Consent was found to be a very important factor for consumers within the realm of online behavioural advertising, and rightly so. One of the key objectives for the IAB's Good Practice Principles, discussed later in this document, is to both inform consumers and let them opt-out of OBA if they wish. 92% of people said that it was important to be notified of OBA. Clearly internet users crave this feeling of empowerment with regard to the tracking of their online behaviour and the marketing messages they are served, there is a certain level of protectiveness surrounding their activities on their 'personal' computer.
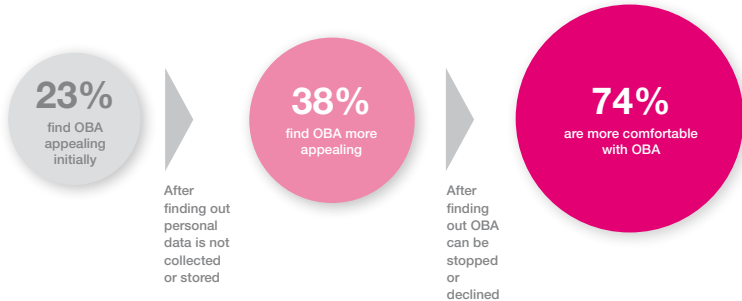
An extremely significant 81% of respondents weren't aware that they could stop or decline online behavioural advertising (however it's important to remember that a large number of people don't know what OBA actually is!) Knowing that online behavioural advertising could be stopped or declined had a dramatic effect on how comfortable respondents felt with the concept – three quarters (74%) of people felt more so when they were told they were able to opt-out.

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So what next?

There is a real appetite amongst consumers aware of online behavioural advertising to know more, and once they do, the comfort levels rise remarkably. In fact, 72% of respondents in the IAB's study wanted to know more about the practice. The graph below shows just how significant the effect of education is, and once people know the facts, appeal of OBA sees a substantial increase.

Summary of appeal of OBA

Initial appeal for OBA may be moderate, however, it is clear that informing respondents that the data is not collected or stored, and that there is the option to opt out, can have an positive impact on overall appeal and the level of comfort respondents have with the idea

23%
find OBA appealing initially

After finding out personal data is not collected or stored

38%
find OBA more appealing

After finding out OBA can be stopped or declined

74%
are more comfortable with OBA

Moving forward the industry is faced with some challenges. To begin with, there exists a clear need to increase the likeability of online advertising, largely in terms of enhanced relevance and an increased sense of control, or consumer empowerment. The results show that once people understand the benefits of OBA, and are aware that they have a choice about whether it takes place or not, this type of advertising becomes far more appealing to the general public. This is what the industry needs to capitalise on, and fulfil one of the key requirements set out in the IAB's Good Practice Principles in online behavioural advertising – to educate and respect consumers.

For more information on Olswang please visit
www.datonomy.blogspot.com and **www.plustechnology.co.uk**

The benefits of
online behavioural advertising

Featuring the Guardian, AOL, the Post Office and Profero.

Online Behavioural Advertising significantly benefits all those in the value chain, from publisher, to network, and the advertiser. This section provides guidance and case studies to help you better understand the real opportunities and benefits within OBA, drawing from the expertise of those immersed in the industry.

AOL

theguardian.co.uk

POST OFFICE

profero

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The agency's perspective – how to plan your campaign to see the real benefits of online behavioural advertising - **Ross Jenkins,** head of profero performance

Marketers have long sought to understand consumer behaviour, taking meaning from their interests, needs and purchasing habits to segment consumers into distinct customer groups. And by doing this, they create more meaningful, targeted and efficient communications tailored to the groups they've identified.

What underpins this segmentation is data, whether obtained from focus groups, panels, surveys or observation. It allows us to identify the patterns in consumer behaviour that, with demographic overlay, become the basis for our segmentation. In the simplest terms, media planners then use this data to 'map' a selection of media onto those segments.

With the digitisation of media, and particularly the internet, marketers' ability to target consumers according to their behaviour is becoming increasingly sophisticated. Data-driven behavioural marketing technologies can build precise, composite audience segments based on internet user behaviour, allowing advertising that is relevant and timely. And the technology, particularly from a cross-platform (TV, web, mobile) perspective, is really only in its infancy; a true understanding of its potential has not yet been realised.

How to plan behavioural media?

There's no single use or role for behavioural media; it can be used to build affinity and preference for brands, or it can be used as a driver of response. Most times it will be doing both, regardless of what you set out to do.

With this in mind, and given that the previous contributors have deftly defined the technology, in this section we'll focus on some best practices that can be applied most of the time you are thinking about behavioural media.

- **Audience definition -** Here, as with any form of media planning, you need to think about your most valuable audiences. Who do you want to target? Why do you want to target them? How do segments differ, and how might your strategy change segment to segment? Once you've done this, you can start to define the touchpoints where you can build those segments.

- **Segment creation -** Imagine, for example, that you are selling offshore banking products to an audience of retired British expats. This is a fragmented and typically hard to reach audience at any significant scale. Furthermore, whilst many of these expats can be found in online communities & forums devoted to their needs, buying advertising space in these environments can be relatively expensive. However, by issuing cookies to user browsers from a single media buy placed in these spaces, the advertiser can build a composite segment of British expats to be re-targeted at a later date.

This is but one example of how behavioural segments can be created; other opportunities for segment creation may be via click throughs on your paid search ads, users interacting with query fields or search tools on your site, or reading content related to your product or service; the rest is down to your ability as a marketer to define relevant audience touchpoints and cookie your audience within these spaces.

- **Recency -** A key factor to consider is recency. For example, as a driver you are only really interested in car insurance for two or three days a year (i.e. when your policy is about to run out). Therefore, car insurance advertisers looking to compete in the all important research and consideration phase would look to up-weight their media targeting people during this crucial phase.

From a behavioural targeting perspective, recency can be controlled by setting a 'cookie-window' on segments to be re-targeted. Once this cookie window has expired the cookie (user) drops out of the targeting

pool, thus focusing all advertising expenditure on the most relevant audiences and enhancing share of voice during key periods in the customer journey. Clearly, the recency factor will change from product to product – expat banking is relevant at several stages during the customer journey, whereas the need for car insurance is a more discreet requirement.

- **Messaging -** A final factor to consider is messaging. Several technologies are emerging which allow the advertiser to personalise their message based on the user's behaviour. For example, if you reviewed several types of jeans on a retailer's site, that user can then be re-targeted with advertising showing similar or related products in combination with an offer or discount as an enticement to purchase. Another example could be to target someone with car rental advertising immediately after buying flights to a particular destination. Clearly, when combined with recency factoring this becomes a powerful vehicle for customer acquisition and demand generation.

Whilst these four points are not exhaustive, and every client, audience & campaign presents different circumstances, hopefully they outline some of the key considerations for media planners and advertisers looking to engage in this space. In this economic climate, and with many advertisers shifting investment to direct response forms of media, behavioural targeting offers a powerful opportunity for competitive advantage and growth of market share.

5 top tips for successful online behavioural advertising - Rob Blake, head of agency sales, AOL Advertising

Behavioural advertising enables advertisers to reach valuable customers no matter where they are surfing on the web. By targeting consumers behaviourally, advertisers can engage people when they are most receptive to their message delivering these with frequency and at scale.

1. **Benefit from this 'Green' advertising!**

   Behavioural advertising aims to deliver as many impressions as possible directly to your target audience thereby reducing campaign wastage. Targeting specific groups like 'Auto Intenders' can be expensive if you are buying against editorial adjacency. Behavioural targeting offers a highly cost effective and efficient way to engage in-market car buyers

2. **Relevant messages delivered to ready-made audiences**

   True behavioural advertising is delivered based on real user interests. To do this, users are segmented into different interest groups based on anonymous information such as internet activity, Search or click data over a defined period of time (for example, the last 30 days). This qualification process ensures you are only targeting consumers who are interested in your products and more likely to engage with your advertising.

3. **Reach your target audience at scale**

   Behavioural advertising allows you to buy "people not pages". This is not a contextual buy and not restricted by availability of specific and often crowded and high demand placements. Ads might not always be shown in directly relevant environments, however ads are shown to users based on their interest in environments they are choosing to visit and therefore they are more likely to respond to your ad.

4. **Powerful insights into your target audience to help boost future performance**

   Always ensure you ask for a post campaign report. Behaviourally targeted campaigns provide insight into which of your segments have performed and maybe able to reveal additional segments of consumers who have engaged with your campaign. This insight is valuable for refining future online activity as well as supporting off-line campaigns and opportunities.

5. **Build a brand with behavioural targeting**

   Getting the right message to the right people is the panacea for any marketer. Behavioural advertising is a powerful way to raise brand awareness, especially relevant for new brands coming online but essential for anyone looking for a one to one conversation with their customers.

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The brand's perspective – Post Office case study -
Alex Tait, digital sales and marketing manager, Post Office

The Post Office® has the UK's largest retail network with branches across the UK. The Post Office® offer more than 170 different products and services, with over 20 million people visiting postoffice.co.uk and approximately 93% of the UK adult population visiting a Post Office® branch every year.

We use behavioural targeting within our display campaigns to improve buying efficiencies and to maximise our conversion rates, ensuring relevant messaging and creative are served to the right profile of prospects and customers at the right time.

We currently use two forms of behavioural advertising. Audience Profiling targets our ads based on the typical behavioural profile of a prospect or customer using publisher or broker data. This method maximises coverage.

Third Party Re-targeting looks at how a user has interacted with **postoffice.co.uk** or an ad. Re-messaging converts warm leads and cross-sells across our product portfolio to existing customers. For example, if a user has clicked on one of our ads or started a product journey on our website we may re-target them with our advertising, using bespoke creative to move the prospect through the path to purchase and to increase click through rate.

Behavioural targeting differs to other advertising we use as the focus shifts from "classical" planning variables (where the publisher classifies the audience based on research) to planning based on actual consumer interest and behaviour.

Re-messaging and re-targeting ads to consumers that have visited our site or clicked on our ads is also quite different from traditional media buys. It works for advertisers as their campaigns reach a more relevant audience and for media owners because inventory efficiencies are maximised ensuring higher campaign ROI.

The benefits of behavioural targeting for the Post Office® are that we gain access to a relevant audience without paying premium rates for a demographic or psychographic profile. We also achieve higher conversion from traffic due to the increased relevance of the ads.

The consumer benefits too because the advertising is more relevant to their interests and needs. To allay privacy concerns it is also worth noting that by using behavioural advertising in the way described here the advertiser can't identify the consumer as an individual. The advertising is purely served via anonymous cookie-based, rather than personal, data.

As a case study example, over the summer period we re-message travel insurance and foreign currency ads to users that have clicked through from them but not gone on to purchase the product. This ensures that the display we are serving is as efficient as possible. We also serve other products to the consumer that we think they may be interested in. For instance, we serve foreign currency ads to customers that have bought travel insurance.

The results are impressive and complement our overall media strategy for the product. Through continual optimisation of the campaign to a deliver maximum ROI we can run the activity all year round.

In the future our aim is to increase the sophistication of the programme to use bespoke creative per response scenario per product across more of the Post Office® portfolio. We are also looking to align the activity as much as possible with our other online and eCRM activity.

The publisher's perspective: Guardian

For the publisher, online behavioural advertising allows an enhanced offering that can provide advertisers with far greater return on investment, making the most of the diverse interests and behaviours of their online audience with more targeted ads.

- **Inventory extension -** Even with an exceptional size of audience and volume of page impressions generated, there will still be inventory pressure on premium sites. Behavioural advertising enables the publisher to extend the volume of inventory available by targeting users of a particular section elsewhere on the site. This means you can extend any contextual buys and take more advertising budget from your advertisers.

- **Increased campaign success -** Behavioural advertising means there are no wasted ad impressions. The right people are seeing the right adverts at the right time.

- **Increase advertising yields -** Behavioural advertising helps enhance the value of site inventory. Because users see behavioural advertising wherever they are on the site, non-premium inventory is monetised at a higher rate. The more targeted the segment the higher the rate the publisher can command.

- **Find the right audience -** Scale of audience means the number of segments you can create is virtually unlimited. Behavioural advertising allows you to find new audiences that advertisers are interested in.

- **In-market buyers -** Understanding product buying cycles enables the publisher to create segments of 'in-market' buyers, targeting users when they're in the right frame of mind before making a purchase.

- **Re-targeting -** You can re-target users with relevant advertising across the site.

- **Better user experience -** Behavioural advertising also means our users see more relevant adverts, giving them a better experience on our site.

- **Better relationships -** Behavioural advertising offers agencies and clients the chance to get more involved with the first party site and its audience. By involving them in the creation of segments you can help them develop their understanding and trust in behavioural advertising.

Case study – **Guardian and BP**

The Guardian have been offering an on-site behavioural advertising solution since mid-2005 and have created behavioural campaigns for over 150 brands and sold over ½ billion advertising impressions. Behavioural advertising now accounts for between 10% - 20% of annual display revenue.

The Guardian sales team create customised segments of relevant audiences based on their behaviour on **www.guardian.co.uk:**

Rule based segments: Creating segments based on what pages and sections users have visited and how frequently those visits were made.

Keyword segments: Using individual and groups of keywords to build really focused segments of users who have been reading specific types of content.

Search term segments: Also segmenting people by what search terms they have used.

IP segments: The Guardian can segment readers based on their IP data - geography, SIC code (Standard Industrial Classification of Economic Activities) and even specific domain names.

By changing the recency and frequency of behaviours Guardian can create even more targeted segments which perfectly match the needs of their advertisers. All users who are in a particular segment have their cookies stamped with a unique ID number which their ad server can identify. This means advertisers can be assured that behavioural advertising campaigns reach their target audience wherever they are on www.guardian.co.uk.

For BP, the Guardian built a segment of ethically minded people using a combination of using keywords like 'carbon trust' and 'climate change' with visits to certain sections of their Environment channel. BP then bought a campaign on our site using this behavioural segment, and bought contextual ads on the Environment channel and some RON ads.

They tracked the campaign with Dynamic Logic and found the BT segment was more effective at hitting those environmentally concerned consumers – therefore targeting the right sort of people.   Where this campaign really worked however, was that although CTR were lower for the BT segment, the conversions were significantly higher.

Case study – iqola Energy Drink

The Idea:

Iqola was an invented energy drink – "the first drink to improve your IQ" – to build awareness for a new brand amongst a niche audience of senior media executives purely via targeted display advertising.

The Campaign:

Spread over a three week period, the iqola campaign re-targeted everyone who registered online to attend a Microsoft Advertising organised conference on behavioural advertising in late September 2009. Impressions were delivered across AOL, Facebook, MSN, Specific Media Network and Yahoo!

The Result:

50,000 impressions served.
216 unique users.
67% of those polled recognised iqola as a brand they had seen online.
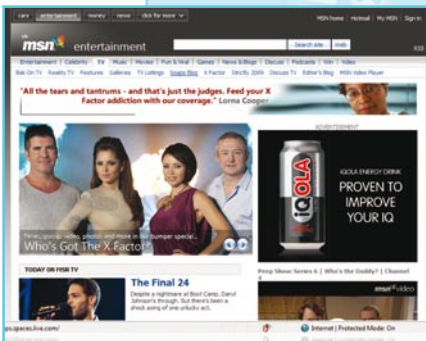
An introduction to
privacy online

By Mark Rabe
MD and VP sales, Yahoo!

As the newest medium for expression and human interaction, the internet adds a new layer to some of the policy questions companies have long faced, age-old matters like privacy, personal rights, speech, freedom, safety, and access for people of different abilities. These are not simply abstract issues, and have a real impact on real people.

This is why signatories to the IAB's Good Practice Principles are taking online privacy very seriously, ensuring consumers have the power to choose how their personal data is used.

It's no secret that online interest-based advertising is a good thing for advertisers who want to target certain groups of consumers and of course a good thing for publishers and networks whose business models are based on advertising revenues.

But what about consumers? What do they want? Well, consumers actually *prefer* relevant advertising. We know this because they "vote" with their clicks and interest-based ads perform better overall, and the research results earlier in this guide also serve to illustrate their desire for more targeted advertising.

To be clear, data is used for a number of reasons: To improve products and services, protect consumers and advertisers from fraud, preserve security, meet legal and reporting obligations and offer customized and relevant content and advertising.

For online interest-based advertising to be truly effective, consumers need to understand it and feel comfortable with how it works. Building user trust has and will continue to help create the right environment for the future growth of online advertising – and in particular, it should be front and centre of any online media owner's business model where interest-based targeting is concerned.

Putting our users' trust at the heart of everything you do should be the only approach in this digital era. For over a decade, Yahoo! has led the way in establishing a relationship of trust with our users and sponsoring responsible self-regulation including industry collaborations like the IAB's Good Practice Principles for Online Behavioural Advertising.

Initiatives like these are an important starting point for safeguarding and educating consumers about their choices. The issue of online privacy needs to achieve C-level, top management buy-in in every relevant business – where businesses own, live and breathe their own policies. In other words, privacy becomes business as usual. Consumers need to know that we are taking their needs seriously and treating their data with the respect that it deserves.

What laws apply to behavioural advertising?

The Data Protection Act 1998

- The Data Protection Act 1998 originates from the EU Data Protection Directive 95/46/EC. It is the overarching legal framework to protect the use of 'personal data', both online and offline.
- 'Personal data' is defined as "whether information relates to an identified or identifiable individual".
- The Act has eight specific principles ensuring that 'personal data' is – among others - secure, adequate, relevant & not excessive; not kept longer than is necessary; and is not processed without user consent or some other lawful basis for proceeding.
- The Act also specifies that explicit user consent is required for the processing of sensitive personal data. This includes racial/ethnic origin, political opinions, religious beliefs, trade union membership, physical or mental condition and sexual orientation.
- For further information go to: **www.opsi.gov.uk/acts/acts1998/ukpga_19980029_en_1**

The Privacy & Electronic Communications Regulations 2003 (PECR)

- The Privacy & Electronic Communications Regulations 2003 originate from the EU ePrivacy Directive 2002/58/EC.
- The regulations specifically set out how 'personal data' can be used for online marketing purposes.
- Cookies/'static' IP addresses that use 'personal data' fall under the Data Protection Act.
- However, cookies are also covered by PECR and this means that there is a need for privacy notices providing clear and comprehensive information – including for third party advertising - and for the "opportunity to refuse" storage.
- For further information go to: **www.opsi.gov.uk/si/si2003/20032426.htm**

The IAB's Good Practice Principles complement and, in some places, supplement these laws.

*Further a more detailed explanation of these laws please visit the website of the UK data protection regulator, the Information Commissioner's Office, at **www.ico.gov.uk.***

Addressing privacy, concerns:
industry good practice & user education

By Nick Stringer
head of regulatory affairs, Internet Advertising Bureau

The Government's blueprint for our digital future, the Digital Britain report, specifically referred to the importance of behavioural advertising as one of several business models to help convert "creativity into value." It also specifically stated that the development of behavioural advertising needed to be "handled carefully" with respect to internet user privacy.

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The IAB agrees. As stated previously, privacy needs to become 'business as usual' for organisations – both public and private - that collect and use information online. We acknowledge the privacy concerns surrounding behavioural advertising and the need to balance its importance as a growing business model with the need to protect user privacy. As an industry body dedicated to ensuring that online is a responsible marketing medium, the IAB and its members are committed to providing internet users with transparency and choice. Our aim is to ensure advertisers and publishers have confidence in the practice and internet users themselves have the trust to continue to enjoy a wealth of content, services and applications for little or no cost, underpinned by more relevant advertising.

So how is the IAB (and its members) addressing these privacy concerns?

Our earlier chapter on consumer attitudes discussed privacy concerns and illustrates that they want notice and choice, but they don't want their online experience to be 'invaded' by advertising. It is important to be very clear that our work will always be informed and guided by ongoing research about what users actually think and want.

In May 2008 the IAB established a working group made up of the leading players in this field – providers of behavioural advertising, publishers and agencies – to spearhead the development of industry good practice. It was also agreed that this should be supplemented with clear and easily-understandable information for internet users about how behavioural advertising works and how they could exert greater control over the collection and use of data. The goals of building trust and offering transparency guided thinking every step of the way.

Good Practice

In March 2009 the IAB published a set of self-regulatory Good Practice Principles for behavioural advertising, a clear set of commitments that providers who collect and use online information to deliver behavioural

advertising would sign up to and implement. Signatory companies included major advertising networks (eg Google, Yahoo!, Microsoft and AOL Advertising), technology companies (eg Audience Science) and also new business models such as providers of targeting using ISPs (eg Phorm).

The Principles complement and, in some cases, supplement the UK legal framework. They address a broader scope than required under existing law, by covering the use of all information used for behavioural advertising – both anonymous information and personal data (in the UK this is primarily addressed by the Data Protection Act 1998 and the Privacy and Electronic Communications Regulations 2003). They are a UK and European 'first', establishing new standards and setting the benchmark for other countries to follow.

There are three core Principles that companies have committed to:

1. **Notice:**

   A company collecting and using online information for behavioural advertising must give clear and unambiguous notice to users that information is being collected for this purpose. This notice will need to include details on what type of information is collected and how the information is used.

   In practice, this means that a web publisher will need to provide this notice prominently on its site(s). The Principles offer the option of doing this in a privacy policy or signposted to the privacy policy from a link alongside the advertisement. For web publishers using a third party (eg an advertising network) to collect and use information for behavioural advertising, the third party will, via its contract, require the web publisher to provide this notice. The Principles provide some sample language for illustrative purposes. The provider of behavioural advertising itself will also need to meet this commitment.

2. User choice:

A company collecting and using online information for behavioural advertising must provide a mechanism for users to decline or opt out of behavioural advertising. Where personally identifiable information (ie information that can actually identify a person, such as a name, street address, email address or telephone number) is obtained, informed consent must be obtained, as is required by data protection law. In addition to this, there may be occasions – as required by law or regulatory guidance - where businesses will need to obtain specific consent (eg information collected at an ISP level) and provide a clear and unavoidable statement to the internet user about the product and ask the user to exercise a choice whether or not to be involved. Internet users can also opt out by visiting the IAB's information website – **www.youronlinechoices.co.uk** – dedicated to help inform users about behavioural advertising.

3. Education:

A company collecting and using online information for behavioural advertising must provide users with clear and simple information (such as an educational online video) about their use of information for this purpose and how users can opt-out. Many businesses already provide this type of information and examples include MSN **(https://choice.live.com/advertisementchoice/Default.aspx)** and Yahoo! **(http://info.yahoo.com/privacy/uk/yahoo/opt_out/targeting/details.html).**

In addition to these, the Good Practice Principles also include a specific commitment relating to children: no business that collects and uses information for behavioural advertising will create an 'interest segment' intended for the sole purpose of targeting children under the age of 13 years of age. The IAB recognises that there are other areas that people may consider to be sensitive and this is an area that we are committed to discuss with wider stakeholders and keep under review.

Compliance

Developing good practice in this area is the first step in our work and we will need to keep this under review as commercial practices change and as technology changes. Companies that sign up to the Principles have six months to comply and will self-certify this compliance to the IAB. In addition to this each company's self-certification is independently verified by a third party to provide additional assurance to the industry and internet users that companies are adhering to the Principles.

User complaints about behavioural advertising in relation to those companies complying with the GPPs can address their queries directly with the company concerned. In some cases the user may not know who this is and there exists a specific page on **www.youronlinechoices.co.uk** to point users in the right direction, along with means for users to escalate a complaint in relation to the principles for resolution by an industry board.

Clear information for internet users – www.youronlinechoices.co.uk

Behavioural advertising is a complex practice that many internet users may not understand. It has therefore been essential for the IAB to embark upon a programme to inform and educate users on how it works and the steps they can take to exert greater control over their online privacy.

Ongoing consumer research will help identify the areas and topics that users most want help with, with **www.youronlinechoices.co.uk** is just the first step in providing users with clear and easily-understandable information. The website has a wide range of information including some basic information about how behavioural advertising works, some top tips on how users can manage their online privacy (such as getting more familiar with web browser privacy settings), a easy 'quick facts' download, and a 'jargon buster' explaining the terms we in the industry use every day but that others may not know. A good example is the word 'cookie'.

Significantly, the website hosts a central place for UK internet users to opt out of behavioural advertising by those companies complying with the Good Practice Principles.

Next steps:

The Good Practice Principles have been supported by the Information Commissioner's Office (ICO), Ofcom, the Government (it highlighted the IAB's work in its final Digital Britain report) as well as other industry groups. And the IAB maintains an ongoing dialogue with consumer and privacy groups to help us fine-tune our thinking.

As mentioned earlier, the working group will keep the Principles under review and we have a process in place to do this. We will also be further engaging with others in the behavioural advertising value chain, such as publishers, Internet Service Providers (ISPs), advertisers and agencies to build upon the existing work and help develop additional guidance where appropriate. By doing so, we can ensure that – as an industry – we're doing our upmost to protect user privacy in this area and placing it at the heart of the future of the internet. In this way we can meet the goals of informing users, offering transparency and providing them with a choice to ensure they have trust in the practice.

The
global picture

By Richard Sharp
managing director of media, head of trading, ValueClick

As with all new technologies, keeping an eye on their impact to existing markets is key. Online behavioural advertising still remains more relevant to some countries than others. However, the market that we can really learn from is the US, which has historically led in the digital marketing space. In the US interest continues to grow, with marketers increasingly viewing OBA as an effective tool to improve their advertising.

As with all new developments online, adoption by the market can be a slow process, affiliate marketing is an example of a channel which entered the market tentatively despite its performance-based model and took years of education before marketers began to see it as a necessary part of the online marketing mix. OBA looks set to follow a faster pattern.

Targeting specific audiences based on their interests rather than merely the current context of a publisher page was a radical change to the focus of media buyers, such that adoption rates have been surprisingly rapid. Looking at the behavioural targeting advertising spend report from eMarketer US (June 2008) we can see already that spending has increased from 7.2% in 2006 to a predicted 11.4% of online advertising spend in 2009. Looking forward spend is expected to increase even further, reaching an impressive 23.4% by 2012.

Trends in the US

What remains one of the current challenges is that the majority of the US market still sees OBA predominantly as re-targeting, which is a trend that we are starting to see in the UK also. While some media planners are familiar with cluster-based approaches to OBA, few are aware of the differences between this and the manual business-rules or the predictive approach. This indicates that there is still a job to be done in terms of defining the different types of BT and educating the industry about the different approaches.

Of course, there have been some early adopters who are recognising the value that the different types of OBA can bring to their businesses. The fact that they consistently pay three times as much to have user retargeting, and five times as much to have predictive targeting vs. their non-OBA campaigns validates the return on this investment.

Another challenge facing OBA adoption around the globe is the controversy surrounding online privacy. The emergence of ISP-based behavioural advertising business models rightly sparked the industry to improve their self-regulatory guidelines. If we look at the ability of behavioural advertising to specifically target people's interests, there is the potential to eradicate a huge proportion of irrelevant advertising from the mix which, in turn, improves marketers' ability to better communicate their brand and to engage with the right audience at the right time.

Initiatives to address privacy issues

In the US there are a number of examples of good practice aimed at addressing privacy issue. For example, the Network Advertising Initiative (NAI), a cooperative of online marketing and analytics companies, established and recently revised its self-regulatory Code of Conduct for 'third party' online behavioural advertising. For further details see **www.networkadvertising.org.** More recently a coalition of US bodies across the advertising ecosystem, including IAB US, published a set of seven principles. These complement, where appropriate, IAB UK's Good Practice Principles, in particular the emphasis on transparency, consumer control (choice) and education. For further details see **www.iab.net/about_the_iab/ recent_press_releases/press_release_archive/press_release/pr-070209**. These principles will also be reflected in a good practice framework at EU level.

The concept of 'enhanced notice and choice' is important to the future of all internet advertising. Whether consumers need to be given notice about data collection and the ease by which they provide the choice to 'opt-out' is an issue that we need to define globally.

If European legislation rules that IP addresses are in fact Personal Identifiable Information (PII), and the US rules that while IP addresses are unique identifiers like cookies, they are not PII, then we run the risk of stifling innovation in Europe that could otherwise provide tremendous benefits to consumers, publishers and advertisers alike.

From looking globally at OBA what we can learn is that it is crucial that we work together as an industry and with local regulatory bodies to standardise the practices of online data collection and use. It is imperative that organisations abide by these regulations, and that we work together to instil confidence in consumers concerning any privacy issues, so that no matter where in the world a user is they understand what data is being collected and by whom it is being collected. As well we need to ensure that we work together to educate the market wherever possible about OBA, the different types that are available and most importantly about the distinct business benefits that it can have. This is a very exciting technology and one that is likely to drive the future of online advertising, provided that we all play by the rules.

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Conclusion

By Stuart Colman

managing director of european operations, Audience Science

When behavioural advertising first appeared on the scene, it held the promise of reaching the right person with the right message at the right time. The idea was a hit – enabling advertisers to reach audiences with scale and accuracy, while allowing publishers to maximise the value of their audiences and providing consumers with highly relevant advertising. In fact, a Forrester study in 2009 revealed that 65 percent of those surveyed paid most attention to behaviourally targeted advertisements than contextual ads.

Although acceptance of behavioural advertising is steadily on the rise and targeting technology has evolved tremendously over the last several years, the industry is really only beginning to scratch the surface of what targeting can do. More and more online advertising is being targeted, and the logical end result is ALL online advertising being targeted in some way. There is an infinite number of ways that behavioural data can be sliced and diced to create accurate audience segments; conversely, there is no universal data set that will apply to all types of targeting. As such, the goal of the campaign becomes the driving factor. Is the goal branding or customer acquisition? What type of product and decision making cycle is involved? An in-market mobile phone buyer looks very different from an in-market car buyer. Taking each of these factors into consideration on the front end, ensuring that the data and segments you are creating are relevant to your overall goals, is the key to success with targeting.

According to another Forrester study, behavioural advertising adoption on a global scale has skyrocketed — it was used by just 10 percent of European advertisers surveyed in 2007, and grew to be used by 26 percent of those surveyed in 2008. The report also notes that behavioural advertising is the fastest growing discipline in Europe, noting that "Not only did use of behavioural targeting grow quickly between 2007 and 2008, but 58 percent of European advertisers in the June 2008 online advertising survey say they are interested in using behavioural targeting in the next year."

In order to fully realise all of behavioural advertising's capabilities there are still many advancements the EU market must make in terms of audience discovery and segmenting. To truly engage with their customers, advertisers need the ability to personalise ads for individual consumers. OBA begins this dialogue by finding the right audience, now the creative needs to have the right message that speaks directly to that particular individual. Before this level of personalisation was not possible, now with the recent emergence of dynamically relevant targeting, marketers can use behavioural data to create relevant messaging based on multiple creative elements such as offers, colours, images, and messaging.

Over the next few years, the walls of the online world will begin to dissolve and consumers will receive the benefit of relevant, behaviourally targeted advertising on all their devices, not just their computers and PDAs.

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You can view their data protection blog at
www.datonomy.blogspot.com.

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