

Opening Statement of Chairman Bob Latta
Subcommittee on Digital Commerce and Consumer Protection
“Understanding the Digital Advertising Ecosystem”
June 14, 2018

As Prepared for Delivery

Good morning and thank you to all our witnesses for joining us today. An advertisement used to mean a quarter page section in your local newspaper, a billboard along the highway, or as our Chairman of the full committee would know, a radio spot during the rush-hour commute. While those types of advertisements still exist, targeted digital advertising has begun to dominate the advertising and marketing industry.

The digital advertising ecosystem is complex and often misunderstood. Today, we hope to clear up some of that confusion for consumers and discuss both the benefits and emerging, often high profile, challenges of online advertising. Our expert panel of witnesses will explain how this technology works, and its place in our economy and our lives.

According to the Interactive Advertising Bureau, the ad-supported internet ecosystem generated over \$1 trillion for the U.S. economy in 2016 and was responsible for 10.4 million jobs with 44 percent of those jobs employed by small and medium businesses. The massive growth of online advertising’s contribution to GDP can be tied to improved data collection and subsequent ad targeting.

Digital ads are dependent on consumer-related information and data, and many of the largest companies in the world, Facebook, Google, and the like, are supported by revenue generated from the collection of this data for the use of targeted ads. While these companies clearly have dominance in this space, many of the benefits of this data collection trickle down to small businesses and create a more tailored online experience for consumers.

For example, a local greenhouse can use their limited time and resources to advertise in the most effective way for less cost by using targeted ads. Instead of publishing an imprecise, catch-all ad in the newspaper, they can purchase ad space on websites dedicated to gardening or set up a geolocation range for IP addresses in driving distance to their greenhouse. This ensures that their ad is reaching their most-likely group of customers: avid gardeners who live within 10 miles of the greenhouse. In the same transaction, the gardeners benefit from knowing what promotions and deals are available in their area.

To some consumers, these practices can feel like an invasion of privacy, or leave them wondering how much personal information about them is being sold. As this subcommittee continues to grapple with the many privacy issues and data

breaches of the past few years, we are no stranger to the risks of collecting such detailed consumer profiles and amassing it in centralized data repositories susceptible to bad actors. This hearing is yet another opportunity to discuss these risks and understand what those in the private sector are doing to address them.

Additionally, ads are only effective if they're reaching actual people. Digital ad fraud and the scourge of traffic bots, algorithms designed to look like actual human views, complicate this system in new ways, and undermine the trust in the current advertising model. Businesses who think they are paying more for ad space because of high audience interest, might not get the response they want because of bots. One study found that 22 percent of desktop video ads were viewed only by bots.

The online advertising ecosystem has many players that contribute to its effectiveness. Understanding how each of these players interact with each other and with consumers is an important step in discussing larger issues like privacy and data security. As always, it is one of the primary goals of the Energy and Commerce Committee to ensure that consumers are informed and can make educated decisions about their online habits.

The advertising-based model supports the platforms that we use to communicate, connect, shop, and work. Today, we hope to hear of the many efforts undertaken by industry to innovate and grow in this space, while at the same time responding to consumer demands for privacy and security of their data.

Thank you to all of our witnesses for being here today. I yield to the gentle lady from Illinois, the ranking member of the subcommittee, for a five minute opening statement.