

Testimony of Rachel Glasser, Chief Privacy Officer, Wunderman.

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Subcommittee on Digital Commerce & Consumer Protection

Understanding the Digital Advertising Ecosystem

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Chairman Latta, Ranking Member Schakowsky, and Members of the Subcommittee, good morning and thank you for the opportunity to speak at this important hearing. I am honored to appear before you today to discuss how responsible digital advertising supports innovative, diverse and free services that are the foundation of our online economy. My name is Rachel Glasser, I am the global Chief Privacy Officer for Wunderman, parent company for KBMG. I am responsible for data privacy strategy and implementation, and on-going process improvements for all of Wunderman including KBMG. I also provide support and mentorship to our employees globally.

KBMG is headquartered in Louisville, Colorado with offices in New York, Texas, and Brazil with several hundred employees. KBMG is a data analytics and marketing company. We help brands and companies - large and small - and non-profits, use data as a strategic asset and provide data-driven marketing engagement for improved marketing performance and more resonant consumer experiences. We combine data, sophisticated analytics, actionable insights, and marketing technology to optimize engagement across different platforms including email, mobile, social, display, and others, throughout the customer lifecycle.

The Internet has drastically improved the way people work, consume goods and media, learn, travel, access health care, spend leisure time, and communicate with one another. Many of these life-changing benefits are available to consumers for free, supported by digital advertising. In short, digital advertising is the lifeblood for the Internet economy and connects American businesses large and small with consumers most likely to value their products and services.

Data is at the center of this American success story. I see the benefits of this every day at my office in NY. All companies today – from the giants of Wall Street to the corner store on Main Street – rely upon the responsible use of data to improve consumer experiences and develop relevant marketing. Relevant advertising links people with the right products and services and perhaps most importantly supports a previously unimaginable array of free products and services.

Data is core to the marketing services that KBMG provides to our clients. The foundation of our business model is trust. As long-established data experts, KBMG has built a business and reputation on the understanding that the ability to use and process consumer data can only occur in an environment where we earn the trust of both consumers and the companies with whom we work. With the full support of our senior leadership, my job is to help ensure that privacy and respect for the consumer are integrated into every initiative. This message comes from the top: respect consumer privacy, be transparent about our data collection and use practices, offer consumers choice and honor those choices. This trust allows us to innovate faster, provide more value to our clients, and create better experiences for consumers. It is this constant drive to innovate that drives the US economy.¹

In my testimony, I will briefly address: (1) how Interest-Based Advertising provides value to consumers, advertisers, publishers and our economy; (2) the role and responsibilities of different stakeholders in the digital advertising ecosystem; (3) the types of information used in digital advertising; and (4) the proactive steps industry has taken to protect consumers through effective self-regulation.

1) Digital Advertising: A Brief Overview

Digital Advertising is a broad term used to describe the paid advertising that publishers put on their websites or apps to enable them to provide consumers with content and services for free. Some digital advertising is tailored to consumers' likely interests by companies promoting

¹https://www.mckinsey.com/~media/McKinsey/Industries/High%20Tech/Our%20Insights/The%20great%20transfer/MGI_Impact_of_Internet_on_economic_growth.ashx

their products or services. This is generally known as Interest-Based Advertising (IBA), when it occurs across websites, and Cross-App Advertising (CAA), when it occurs across applications (apps).

IBA/CAA is why consumers see ads that are relevant to their specific interests. With this type of advertising, companies and advertisers collect information across some of the sites consumers visit and apps that they use. This information is then used to try to predict what ads might be the most interesting to individual consumers. IBA/CAA doesn't depend on information that may be personally identifiable, such as a consumer's name, phone number, Social Security number, etc. In fact, most ad tech companies don't want to know the identity of a consumer for IBA/CAA. They only want to link interest categories (loves travel) or demographic data (male under 30) with a consumer's browser so that they can serve up relevant ads. Of course, different companies use different methods of IBA/CAA.

The basic way consumers are placed into an interest category or group on a browser is based on a consumer's visits to websites. Let's say an ad-tech company partnered with a clothing retail website that a consumer visits. That ad tech company would assign an ID to the consumer's browser usually by storing a unique ID number in a text file or cookie on the browser. This is then matched to a "clothing shopper" category by pairing that ID number with interest categories/groups in an online database.

Unique ID Number	Matched Categories
450982374	"Male", "Age 25-34", "clothing"

Other information can be used to match a consumer into a group, as well. For example, if the consumer has previously purchased oxford shirts from that retail website, the website could tell the company to also match "oxford shirt buyer" to the ID.

There are several different players in the online ad ecosystem:

- *The consumer*
- *Publisher:* The individual or business in charge of a website or app. They sell advertising space on their websites and apps to advertisers.
- *Advertiser:* The individual or business that has a product or service they want to advertise. They buy advertising space on websites and apps.
- *Third-Party Advertising Company:* Websites and apps usually do not play a direct role in choosing the ads consumers see. Instead, a third-party advertising technology company manages the target audience, ad selection, and placement for both the publisher and advertiser. It makes the process more efficient for everyone.

As a general rule, IBA/CAA does not depend on information that personally identifies a consumer such as name, e-mail address, phone number, photographs, etc. Rather than using personally identifiable information, most IBA/CAA that uses randomly-generated numbers to match a specific web browser or mobile device with interest categories.²

2) **The Responsible Use of Data Is Everyone's Responsibility**

Recent events have raised questions about the use of data for digital advertising. In some cases, the diverse range of business practices and advertising models have caused confusion. This concerns me because most actors engage in the responsible, ethical and transparent use of information.

As I already mentioned, KBMG as a digital marketing company places a high priority on consumer privacy and the responsible use of data. Given how information is collected and shared in today's digital ecosystem, we expect that every participant in the online economy will honor high standards regarding the collection and use of online data. This applies to publishers,

² <http://www.networkadvertising.org/understanding-online-advertising/how-does-it-work/>

platforms, social media, data management companies, ad tech providers, analytics firms, and ecommerce sites. At a minimum, when data is collected and used to support various activities such as online advertising or to create personalized online experiences, each player in the data life cycle and advertising ecosystem has a responsibility to be transparent about the use of that data, offer consumers appropriate choices about the collection and use of data, and honor those choices. We also expect every company to take reasonable measures to secure that data and prevent potential misuse.

There is near-universal agreement across our ecosystem that transparency is critical, particularly as we continue to innovate and develop more effective, efficient and exciting ways to engage with consumers. The purpose is clear: provide consumers with information that explains in plain English what data is being collected and for what purpose as they navigate across a website or engage with a mobile application. We cannot build trust without being transparent about our practices. And without trust we cannot expect consumers to be willing to share their data. Without data, we cannot provide consumers with the wide range of online products, services, and rich content that is available online today, often at no cost to the consumer.

Transparency through website privacy notices or enhanced privacy notices³ has been the customary means by which this information is communicated. Industry, however, is constantly innovating and seeking news ways to provide consumers with the most important information at just the right time. Indeed, self-regulatory bodies such as the Digital Advertising Alliance⁴ (DAA) and the Network Advertising Initiative⁵ (NAI) require participants and members to provide transparency through the use of an icon on advertisements and a centralized industry

³ <https://www.ftc.gov/sites/default/files/documents/reports/privacy-online-fair-information-practices-electronic-marketplace-federal-trade-commission-report/privacy2000text.pdf> "Implementation of Transparency and Consumer Control Principles", page 9.

⁴ https://www.digitaladvertisingalliance.org/sites/aboutads/files/DAA_files/seven-principles-07-01-09.pdf Principles II Transparency; page 33 of the commentary.

⁵ http://www.networkadvertising.org/sites/default/files/nai_code2018.pdf II.B Transparency and Notice; page 19 of the commentary.

website in addition to privacy policies. Efforts to innovate in this area continue as technologies evolve.

Transparency is only one component of responsible data use. Companies like KBMG not only describe the purpose for which the data is collected, we take steps to ensure that the data is used in the manner that was described. We also offer consumers appropriate choice and take steps to ensure that choice is respected. Here too each actor in the industry has a responsibility to ensure data is being used for the right purpose and consumer choice is honored. As the CPO of KBMG, I expect that from our business partners, and I work hard to ensure that our partners engage in responsible practices through contract terms, oversight, audits, general due diligence and other mechanisms. Like other companies, we want users to be able to express preferences and be able to make informed decisions about their data and how it is used.

KBMG and all responsible actors in the digital advertising ecosystem honor the principles of transparency and consumer choice because it fosters trust and is the right thing to do. Further, when data is misused it has a downstream negative impact on the entire industry. Consumers become less likely to trust marketers and brands, online platforms, and publishers. And when they are less likely to share their data it becomes more difficult to continue to provide free access to services, personalized content, and drive innovation.

Of course, in some contexts – those can that can cause real consumer harm - the misuse of consumer information may be unlawful. Compliance with myriad state and federal laws is a powerful motivator and we support prohibitions on practices that can cause serious harm to consumers. Even when serious harm may not be an issue, companies should honor their promises to consumers.

3) **Sensitivity, Context, and the Potential for Harm**

The US approach to consumer privacy correctly recognizes that not all information is equally sensitive or presents a risk of harm. The level of transparency and choice needed in a given context should correlate to the level of sensitivity of the data. The more personal, or sensitive the data, the more transparency and choice are critical. Recent events have highlighted instances where personally identifiable information was in fact used and shared. But using and sharing a consumer's name or similarly identifiable information is not necessary in many cases to provide rich, personalized, and relevant advertising. Similarly, inferring a consumer's general location such as a city or county creates less concern than collecting a person's precise location over time. Moreover, we know that different uses of data generate different levels of concern for consumers. Information used to determine eligibility for a benefit or loan presents a greater potential risk of harm to consumers than serving as online ad based on a user's perceived interests. Similarly, uses of data that produce clear value to consumers are more likely to be embraced by consumers than other, unanticipated uses that offer no direct benefit or – in extreme cases – cause material and significant harm.

Industry invests tremendous efforts to provide transparency, notice and choice when it would be most valuable to consumers. For example, stakeholders agree that broad transparency would generally suffice where data is collected for site analytics and aggregated. This use is critical for website operators to better understand how users interact with their site generally, what content and features are popular, and how to make a service or website more user friendly. In this instance, a choice mechanism is not always required or called for and a broad disclosure about site analytics would suffice. This data helps companies improve the basic online user experience and drives businesses to build and improve on features and tools to further that end. As the FTC has noted, not only is choice not necessary in every circumstance, offering choice in such cases is counterproductive.

On the other hand, when data is collected and used for Interest-Based Advertising, where devices can be linked and the data is arguably more granular, industry provides more

transparency and offer consumers the ability to exercise choice.⁶ This increased transparency includes ideas like enhanced notice, more specific disclosures within a privacy notice, including specific data points included, and the fact that it data be used for IBA. This increased level of transparency is meant to help users have a better understanding of the intended use of the data and to help them make an informed decision of how they want the data to be used. This too helps build user trust and the flow of data.

4) **Industry Self-Regulation Works**

Businesses have a vested interest in acting responsibly and building user trust online. Recognizing the value of user trust and the potential applications for data online, the digital ecosystem has taken initiative and thorough measures to put in place a set of codes and principles to reinforce responsible practices. The DAA and the NAI are two self-regulatory groups committed to promoting the health of the online ecosystem by maintaining and enforcing responsible privacy practices and high standards for data collection and use for advertising online. These standards include providing consumers with enhanced transparency and control.^{7,8}

Companies voluntarily commit themselves to these organizations. These companies are demonstrating their desire to be good actors and are obliged to abide by the respective codes and principles. This is a clear indication of the intent of companies to act responsibly, build user trust and help drive innovation and grow the Internet economy.

Self-regulation is not just about making promises. Both NAI and DAA are backed up by robust compliance and enforcement mechanisms. NAI, for example, reviews every member company's compliance on an ongoing basis and publishes a compliance report each year.

Enforcement of the DAA principles is carried out by the Accountability Program at the BBB.

⁶ https://www.digitaladvertisingalliance.org/sites/aboutads/files/DAA_files/seven-principles-07-01-09.pdf

⁷ <http://www.aboutads.info/>

⁸ <http://www.networkadvertising.org/about-nai/>

Industry recognizes that the bad or irresponsible practices of a handful of actors will undermine the entire ecosystem. That's why industry has invested tens of millions of dollars in self-regulatory efforts that evolve as our industry evolves.

Conclusion

There is no question that data privacy is on everyone's mind these days. But for our industry, it has been on our minds for nearly two decades. Data is critical to the growth and innovation of the Internet. It adds value to our experiences online and allows brands and marketers to better connect with their consumers. It fosters education, growth, and communication. Trust is essential for continued growth and innovation on the ad supported free internet. Without trust we cannot expect to continue the value exchange and provide free access of information and other free tools and resources to the public, and the growth of our Internet economy. We do not want recent events to overshadow the extraordinary benefits of the online advertising ecosystem and we are pleased that the Energy and Commerce Committee is taking the time to learn more about this vibrant, exciting sector.