



**FTC Town Hall
Behavioral Advertising
Tracking, Targeting & Technology
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**Written Comments Submitted by TruEffect
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Introduction

TruEffect is an ad serving company founded in 2002 and based in Denver, CO. The TruEffect founders were able to bring with them experts and intellectual property from their previous start-up effort: MatchLogic, a seminal internet advertising technology company started in the mid-nineties and acquired by Excite@Home. The majority of the TruEffect staff has worked in the fields of advertising, database marketing and technology for over 20 years with well-known global companies such as General Motors, Apple, InterPublic Group, EDS, Bronner and Fair Isaac.

While advertising is sometimes viewed negatively, in reality it has existed since ancient civilizations and is a key form of human communication. Throughout the centuries, advertising has been a method for conveying information about products and services to prospective buyers. One of the biggest challenges facing the advertising industry has always been relevance. When ads are presented for products and services to consumers who have no interest in buying what is being presented it is ineffective and often viewed as a nuisance. In contrast, when someone who is seeking to fill a specific need receives timely information about relevant products and services it can be very valuable for both shoppers and advertisers. At the core, behavioral targeting of advertising whether online or offline is all about providing information that is relevant to the individual consumer.

Behavioral Advertising Overview

As a basic definition, ad servers are companies that develop and sell software to advertisers and web site publishers that is used to deliver ads and measure the performance of those ads. Advertisers are the companies that pay to have ads about their products or services delivered to consumers. Web site publishers are the companies that deliver content and sell advertising in that content.

As the growth of the Internet and advent of clickable web ads accelerated from the early to mid-nineties, many large, brand-name companies interested in building an online advertising capability lacked the in-house technical expertise. This lent itself to the formation of an entire industry of third party companies who jumped at the chance to fill this market need. In doing so, ad servers developed several different methods to target ads. For the purposes of this paper, we define targeting as the opportunity to select from two or more potential ad messages. The basis for choosing between those two or more messages can be categorized in several ways:

- Contextual targeting infers the best selection of an ad based on the information contained on the Web page. For example, placing travel oriented ads on travel related sites.
- Demographic targeting infers the best selection of an ad based on known characteristics of a user such as gender, education or presence of children. For example, placing an ad for a family vacation destination on web sites for children's furniture.
- Geographic targeting infers the best placement for an ad based on a user's likely geographic location. For example, placing an ad for a restaurant chain on web sites for performing arts centers in the same cities where the restaurant has locations.
- Technographic targeting uses information about the connection speed, browser version or other information about the technical set up of the consumer to determine what ads to serve. For example, sending graphic rich ads only to high-speed, broadband connections and not to dial-up users.

The fifth type of targeting, and the focus of the Town Hall, is behavioral targeting which uses information gathered at the time a consumer undertakes a specific and measurable action representing a particular behavior. For example, delivering an ad for mortgage services based on the consumer's search of real estate sites. Behavioral targeting, given it is based on the measurable behavior of a consumer and not personally identifiable information, is usually achieved using anonymous data.

While there is much attention being paid to the online aspects of behavioral targeting, the basic concept has been used in the offline world for years and is an informative example of how it can work. We all value our individual privacy, but we also appreciate when we do not receive ads that are not relevant to us. As an example, when a coupon or postcard is delivered in the mail from a pet supply store to a home that does not have a pet, it is likely to be considered junk mail and quickly thrown into the recycling bin. In contrast, when a marathon runner receives a 20% discount coupon in the mail to a sporting goods store it is likely to be viewed as something valuable, even if it is not a store the person has shopped at previously. Similarly, at the grocery store check-out coupons are often given along with the receipt. A coupon for a new brand of juice is more likely to be useful if juice was purchased than a coupon for diapers if no baby products were purchased.

Ultimately, advertisers only want to pay to deliver messages to consumers that are likely to be interested, and consumers are only interested in receiving information about the things they need and want. The Internet as an ad delivery mechanism offers considerable opportunity to address these desires.

Data Collection, Use and Protection

Enterprise-level ad serving is complicated and expensive. As a result, advertisers, even some of the largest corporations in the world, have preferred to rely on third party ad servers with expertise in this technology. Not just anyone can read or write a cookie into a consumer's browser. Browsers abide by protocols, or rules. Servers delivering content to a browser at its request, including ads, are limited to a specific domain, represented by a URL. Only servers registered within the Domain Name System (DNS) as a host for the domain are allowed to write a cookie into the browser or read a cookie for that domain. The current set of traditional third party ad servers leverage cookie technology by using their own proprietary domain.

As a generic example, not using a real company name, consider www.adserver.com which writes cookie text files only their servers can write or read. The advertiser for whom the campaign is being conducted is walled-off from reading that information when the consumer clicks on the ad and visits the advertiser's site. Furthermore, the consumer views an ad from an advertiser they recognize, like Amazon, clicks on the ad and is redirected to the Amazon website where they proceed to purchase an audiobook. The consumer most likely has never heard of nor is aware that it is adserver.com, not Amazon, delivering the ad and tracking their behaviors from impression through shopping to purchase.

So what does our imaginary company adserver.com do with the data? Every time an ad is served to a browser, an impression record is written into a database by the server delivering the ad. Included in that record is the IP address of the browser, the browser type, the time and date and an encoded representation of the ad that includes the banner file name, click-thru URL, campaign name, advertiser, and other related information. The cookie name, as well as any data stored in the cookie, is included in the log record. As adserver.com delivers ad after ad, billions of times, a large database of consumer behavior is developed. These records are aggregated into counts that can be used to assess how well the ad performed. The census-based performance reporting made possible by this process has been one of the key drivers in the success of internet advertising. An advertiser can see within hours how an offer or a piece of media on a web site is performing and make immediate optimization decisions. This alone has put Internet advertising into the marketing hall of fame. But adserver.com does not stop there.

Raw log files can be segmented, scored, analyzed and modeled. From this a cookie ID can be "fingerprinted" with attributes used for targeting. For example, a consumer while on the web views ads and visits sites of adserver.com clients such as Sports Authority, Orvis, ESPN and REI. Using statistical analysis it would be feasible to extrapolate with a level of confidence that this is a male, and therefore the consumer is also likely to be interested in consumer electronics. Adserver.com could then provide a targeting select to another advertiser – Best Buy or Sony – offering to target a specific ad for a big screen TV to the browser the next time they receive a request with that cookie ID in the header. Now remember, the data artifact from all of these transactions are encoded to the adserver.com domain with an adserver.com.txt cookie, so no one else, neither Best Buy nor Sony, would have access to retain or leverage that data. Yet they're the ones paying to run the campaign. Even more to the point, the consumer behind that browser saw a Best Buy ad, clicked on it and proceeded to buy a big screen TV on the Best Buy site. The vast majority of the time, the consumer assumed he was interacting only with a merchant he knows and trusts, not a third party entity gathering information on the merchant's behalf. This is not unlike the offline data collection practices used every day in direct marketing, but the capabilities presented online by a web-wide, site-agnostic view extend the paradigm dramatically.

To summarize, in the current model ad servers collect data across multiple ad campaigns funded by various advertisers and then are able to re-purpose the information to their own benefit. This model has generated and perpetuated a complex ecosystem that distances brand advertisers from the consumers of their ads and provides them little control over how information about their customers and prospects is collected and used.

While the people at TruEffect are very familiar with this model, we believe it is time for a change. We can remove the ad server from the data equation without sacrificing the benefits of third party ad serving by placing the advertiser and consumer into a direct relationship, or in certain cases, eliminating the collection of consumer data from the model altogether.

For example, TruEffect's DirectServe™ is a patent-pending technology that allows an advertiser to deliver their own online ad campaigns entirely from their own domain without sacrificing the effectiveness and economy of an enterprise caliber ad serving platform. With DirectServe, campaigns are delivered using only the advertiser's cookie, and creating a database of log records only meaningful to that individual advertiser. The data is encoded based on the advertiser's domain and not readily usable by TruEffect. There are no additional middlemen or data gatherers in the process, and thus the data is not aggregated and repurposed across multiple advertisers. With DirectServe, a profiling database is only possible within the confines of the single company that conducted the advertising campaign. While TruEffect functions as an agent of the advertiser, we do not benefit from the data by creating derivative works. It is analogous to the US Postal Service, delivering the mail anywhere in the United States, but having no role in the information shared between the sender and the recipient.

Taking this approach one step further, TruEffect recently launched SafeServe™, an ad serving technology that allows us to deliver an ad campaign without the use of cookies at all. The patent-pending SafeServe technology is the only solution that blends the traditional benefits of ad serving with the most rigorous privacy standard of no unique tracking -- anonymous or otherwise. Advertisers targeting audiences that have specific privacy requirements, such as young web surfers or persons researching medical conditions, need a technological solution that delivers ads yet eliminates the possibility of any unique tracking. While counts of clicks and impressions are preserved with SafeServe, sophisticated closed-loop or view-through metrics and cookie targeting are not available.

Consumer Disclosures

At TruEffect, we believe consumers can make conscientious choices to interact, shop and buy from reputable businesses. We strongly support greater transparency in the online advertising system. Today, when a consumer receives an ad for a particular company they only know that the company paid for the ad, but the intricate web of companies and servers that were responsible for the appearance of that ad on a particular Web site at a particular time may be challenging to ascertain. By empowering companies to more directly control their online advertising campaigns it creates a clear one-to-one relationship between advertisers and their customers or likely customers.

TruEffect does collect anonymous information as part of the process of serving client campaigns and providing reports. The primary use of the data is to produce campaign performance reports, or "roll-ups", that are comprised entirely of aggregated (non-unique) data such as counts of impressions and clicks.

Information embedded in a cookie text file on behalf of the advertiser should only be meaningful to that advertiser, and should be based on the choices the consumer has made in sharing information and granting permission for the retention and use of the data. With the TruEffect

approach, consumers can rest assured that the privacy principles ascribed to by the advertiser will not only be employed when visiting the site, but they retain full force wherever the advertiser has purchased media inventory anywhere on the web.

The Regulatory and Self-Regulatory Environment

Given the pace of technological change, it is a particularly challenging area for government regulatory systems to police. The Government has a role to play ensuring a robust competitive environment is maintained. This will serve to foster ongoing technological and process innovation. There is also a clear government role to play in assuring that consumer interests are not overlooked by the market. Core consumer protection laws have proven to be adaptable and applicable to changing technologies. Oversight of industry self regulation and enforcement of existing consumer protections laws should continue to be the focus of government efforts.

While there will unfortunately always be a minority of bad actors, industry self regulation is a core method to promote consumer interests. Company reputations are very valuable as they work to attract customers, thus there is a true self-interest in devising and preserving systems that respect customers and best meet their needs.

The Network Advertising Initiative (NAI) developed one of the most talked about set of self regulatory principles. TruEffect abides by the NAI principles. We wholeheartedly support the consumer's right to notice, choice and consent regarding their data and how it is used by Internet advertising companies. The NAI "opt out" provisions were an essential step to ensure that ad servers offer consumers the option to participate or decline participation in online advertising tracking. Yet, it's been eight years since the NAI principles were developed, and as the ad serving industry continues to evolve and change, they likely need to be revisited.

The Future of Behavioral Advertising

The Internet is no longer defined by servers and browsers exchanging information across copper and fiber. Going forward, data about consumer behavior will not be mediated by the cookie facility embedded in browser software, the management of which we have addressed to a degree through the NAI principles. With the explosive growth of digitally addressable media including digital cable, satellite TV, and mobile, our customers are looking to us to provide technology solutions that will extend census-based measurement and dynamic targeting technology to these other channels.

Coupled with this are market forces that require us to continuously meet and exceed customers' expectations. Recently announced acquisitions of major ad serving companies by large media corporations change the interactive marketing landscape. This consolidation could threaten competition for interactive advertisers. In addition, it is likely to increase consumer privacy concerns about how large businesses share data collected through online marketing campaigns among their operating companies.

At TruEffect we are focused on redefining what it is to be an ad server. The expectation for privacy and consumer protection has not changed. We in the industry must work closely with the carriers, networks and infrastructure providers to guide them in the consumer-centric use of this technology. As consumers become exposed to more digitally addressable media throughout the course of their day, it presents an extraordinary opportunity to make that advertising less annoying and more relevant.

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