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The NAI Helps Balance Consumer Privacy and the Advantages of Interest-Based Online Advertising

By: Jon McDonald

The Crunch: The [Network Advertising Initiative](#) (NAI) is a coalition of over 100 companies — including the likes of Adobe, Google, and Rocketfuel — that are making data collection for digital advertising more responsible by being transparent with consumers about how it is collected and used. With a member code of conduct that constantly evolves to keep up with current digital trends, the NAI is always focused on the advertising technologies of the future — tablets, phones, and even smart TVs. Its commitment to consumer education is aimed at striking the perfect balance of advertising that maintains a free and robust Internet.

Recently, a friend purchased a pair of running shoes online to replace the ones he had worn out. The shoes were so dear to him that he wanted to buy the exact same color and style, but he also wanted to get the best deal, so he compared prices at many different sites. After a while, he took a break from his shoe search to browse a recipe website for something delicious to cook that night.

And that is where he found the best deal on the shoes; in an advertisement on the recipe site. The price was lower than he had seen anywhere else, so he clicked on the ad, went to the website, and purchased them immediately. He thought finding the ad for those shoes was serendipity, but I told him it wasn't just blind luck. That ad was meant just for him.

When you browse an online store for a pair of shoes, then see an ad for that same pair of shoes pop up on another website, it is called Interest-Based Advertising. When you later see those same shoes show up in an ad on your mobile device, that is called Cross-App-Advertising. You have probably seen both of these types of ads, and the [Network Advertising Initiative](#) (NAI) is trying to make sure you know as much about them as possible.



NAI President and CEO Leigh Freund is working to make digital advertising as transparent as possible for consumers.

Advertising is paramount to the retail industry, and interest-based advertising — or targeted ads — are the most effective way for companies to show consumers a product that appeals to them. Showing someone an ad for a 50-pound bag of fertilizer when they are browsing for shoes wouldn't be very effective for the consumer or the advertiser.

Many consumers don't understand exactly how the ads are generated, but the NAI is working to take the mystery out of digital advertising and data collection. The NAI is a group of over 100 members — companies from Google to Rocketfuel — that have joined forces to make data collection more responsible and transparent to consumers.

NAI President & CEO Leigh Freund gave us more insight into the organization's values when we spoke with her recently.

"The NAI makes a commitment to consumers that we will provide them with notice, choice, transparency, and control," Leigh told us. "All these things are based on the FTC's Fair Information Practice Principles."

The companies all undergo a rigorous vetting process before they are granted membership, as the NAI wants to make sure the partnership will be good for consumers, too. After all, the goal is to open a dialogue between advertisers and consumers that can be beneficial to both. That conversation can be the first step in allowing everyone with a stake in the free Internet to be on the same page.

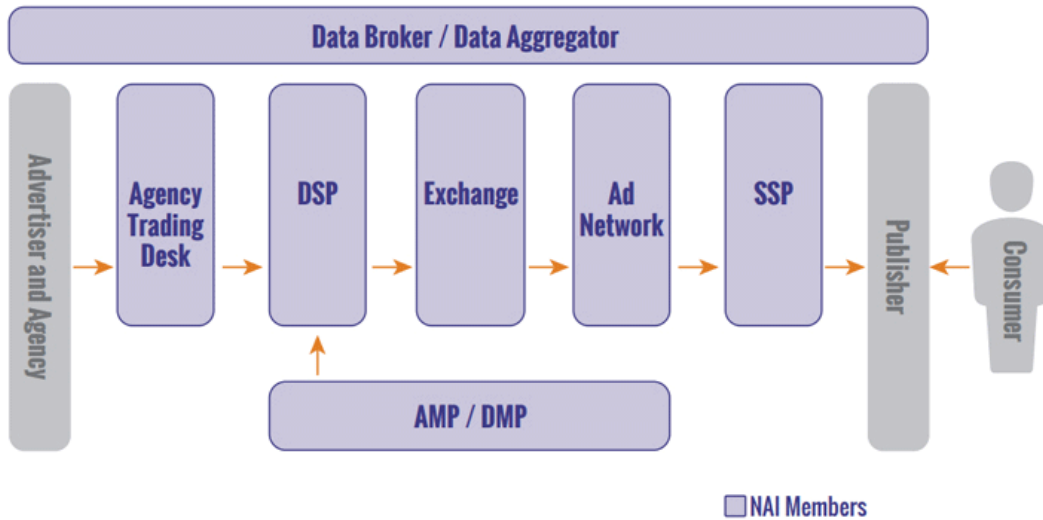
Responsibly Collected Data Leads to Effective Ads and a Free Internet

The Internet has become such a part of our daily lives that the government regulates it like a utility. But a delicate balance still exists between advertising and unrestricted access to the Internet. Currently, [the price of a free and robust Internet is seeing ads on web pages](#). Without that ad revenue, many websites would not be profitable, leading some of them shut down.

That scenario would leave larger sites — most likely with paywalls — as the rulers of the web. To avoid that, the NAI is creating a partnership between consumers and advertisers that can help the free Internet thrive.

"We try to find a balance so that a company can have a legitimate business model and help provide free Internet content that is supported by ad revenue, as long a company provides transparency and the opportunity for consumers to express their choice," Leigh said.

AD TECH INDUSTRY AND NAI MEMBERS



NAI members play a huge role in digital advertising and want to be transparent about how ads reach consumers.

That is why [NAI members adhere to a code of responsible data collection](#). The code is constantly being updated as technologies and advertising evolve. The code is also a promise to consumers that the companies are committed to transparency and choice. NAI members know consumer collaboration is the best way to move forward, and they want to build that trust.

“The pillars of our code are accountability, follow-through, consumer education, and outreach.” Leigh explained. “We are trying to make better ads for a better Internet, and helping consumers understand online advertising is what we do.”

Member Companies Recognize They Have a Responsibility to Consumers

Imagine your favorite website as the intersection of two major streets in your city. You are sitting in your car at a stoplight at that intersection and you start looking around. Third-party advertisers are like the billboards at that intersection, but instead of being static and displaying one image, they are dynamic and can change content based on the interests of whoever is looking at them.

That is how advertising currently works online. The question many consumers have is: How do advertisers know consumer interests? The businesses that make up the NAI felt it had a responsibility to be transparent in explaining the process.



The NAI has a membership summit every year where companies get together to talk about issues and changes in policy.

“Companies realize it is part of their responsibility to commit to consumers and have a standard for data collection and use,” Leigh said. “A lot of the companies make privacy almost a competitive issue, encouraging other companies to join and ensure that they have responsible privacy standards.”

The principles of Interest-Based Advertising [are laid out in great detail on NAI’s website](#), but at its most basic level, it is the reason you see ads that are relevant to you. To show you ads that you might be interested in, third-party companies use the information you generate while on the web. Not personal details like your name or Social Security number, but rather the kinds of searches you perform and the sites you visit. The data then paints a picture of you as a consumer.

Rather than knowing a person’s phone number, an advertiser would rather know whether a person is interested in buying a bicycle. That way, it can show the consumer advertisements for bicycle parts, which would be more relatable.

New Version of Opt-Out Tool a Testament to Forward Thinking

One way that the NAI proves its commitment to consumers is by putting [a prominent opt-out link](#) on its front page. This allows consumers to easily opt out of having their data collected, but the link also allows them to be more informed of exactly what is collected. All NAI members have opt-outs on their own websites, too, as required by the organization’s code.

A visitor to the site can opt-out of interest-based advertising from any of NAI’s member companies easily, and the NAI is always looking for better ways to protect the consumer. The new non-cookie opt-out tool being developed is evidence of that.

A cookie is a small piece of data that is sent from a website and stored in the user’s browser. Those stored cookies can be used by advertisers to gauge interest in a product. For instance: a travel agency may want to advertise to you if your cookie history indicates that you have been visiting travel-related websites. As technologies evolve, though, so does the NAI.

“With new technologies, companies can collect data from consumers without using cookies, and that is something that really concerned us,” Leigh said. “Non-cookie technology is invisible to a consumer, so they wouldn’t know when to opt out. We invented a tool that informs the consumer, in real time, of data collection by an NAI member using non-cookie based technology and gives them a chance to opt out of that data collection.”

NAI Can Respond to Advertising Trends Faster than Legislation

Government regulation can benefit consumers in many industries, but with digital advertising technology moving so quickly, the snail’s pace of Congress just isn’t a good fit. That is why the NAI was formed in 2000, so industry leaders could combine their efforts and talents to solve the problem with collaboration, not legislation.

The NAI has even earned praise from the Federal Trade Commission. At its 2014 member summit, then-FTC Commissioner Julie Brill said the NAI had become a trailblazer in its field. “The NAI really has been a leader in the self-regulatory community,” she told former NAI CEO Marc Groman at the organization’s summit that year. “[The NAI has] taken steps to go beyond legal requirements, and that is helpful for consumers.”

Being able to quickly adapt to a constantly changing landscape, whether it be nationally or globally, has set up the NAI for success in the future, no matter what it holds.

As Tech Expands, NAI Becomes the Gold Standard

Ten years ago, smartphones were in their infancy and had not yet become an effective tool for spending time online. Now, it is hard to imagine not being able to browse the Internet from a mobile device.

The NAI has been adapting to these changing technologies from the beginning and makes sure that its policies keep up with innovation. Its code is amended as new methods of advertising become more prominent. The NAI has also recently put out a detailed code devoted solely to mobile devices and even has a group looking into smart TVs and how to address them in the future.

“Another advancement in tech has been the ability to target consumers with ads across devices, those ads that follow you from your computer to your phone to your tablet,” Leigh explained. “They bring about special privacy challenges and questions, so we have been working on guidance and recommendations for our companies to apply our basic principles to new technology.”



The NAI is part of the Coalition for Better Ads, which is aimed at improving the consumer’s ad experience worldwide.

The NAI is even part of a global initiative called the Coalition for Better Ads, which is aimed at improving every consumer's experience with online ads. The NAI, along with companies around the world, is helping to set up standards that can be applied to the entire Internet.

Compliance Reports and Audits Help Increase Accountability

The NAI's sophisticated monitoring arm is able to run audits on all of its member businesses throughout the year. The results of these checks are released [in the NAI's annual compliance report](#), detailing what was found and how each company responded.

"We have amazing response times from our companies in terms of correcting small issues that could become big issues later," Leigh said.

The NAI makes sure that each company knows about its process from the beginning, so there are no surprises down the line.

"Before joining, companies have to go through a rigorous investigation by our compliance staff," Leigh said. "That involves interviews with company executives and a deep dive look into its disclosures."

Reaching Out to Consumers to Continue Raising Industry Standards

While seeing an ad for a pair of shoes you want isn't unexpected, certain types of advertising cause consumers anxiety, and the NAI works quickly to amend that. A recent example was its response to consumer concern about sensitive health information. The NAI updated its code to make the requirements for the collection of that data stricter. The code directs companies to obtain a consumer's opt-in consent before using any of that information, which is higher than the industry standard. Opt-in consent means consumers have to explicitly tell a company it can use their data.



The NAI and its members are constantly looking for ways to improve the digital advertising experience for consumers.

That change is in line with the NAI's mission to educate consumers about the data collected for digital advertising. When industry leaders and consumers are both on the same page, the NAI

believes that everyone benefits.

“We want to be known as a resource for privacy both on the business side and the consumer side,” Leigh said. “We also have an annual membership summit where we focus on the critical issues facing our industry.”

So, next time an ad pops up for a pair of shoes you searched for earlier in the day, know that the NAI is working to make sure the data for that ad was collected responsibly. With consumers and advertisers on common ground, the Internet can be kept free and beneficial to all.

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