# The Personalization of Advertising Through the Use of Digital Analytics

**Michael Crescente with Mentor Dr. Thomas Tellefsen**

## Abstract

A growing trend in marketing is the use of data analytics to personalize advertising. Companies are tracking consumers online to develop rich profiles, and then using that information to direct more timely and targeted promotions. Marketers report that this practice yields greater advertising efficiency and increased customer satisfaction. However, there are ethical questions related to such intense digital tracking. In response, marketers are considering changes in their methods of data collection, storage, analysis, and application. This paper explores current practices, ethical implications, and new directions in the field. It makes recommendations for the ethical use of enriched data for the benefit of both companies and customers.

## Data Privacy Crackdown

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Cambridge Analytical Scandal</td>
<td>Facebook users’ data improperly harvested without their consent</td>
</tr>
<tr>
<td>2018</td>
<td>Facebook Fined by FTC</td>
<td>According to FTC, deceived users about ability to control the privacy of their personal information</td>
</tr>
<tr>
<td>2018</td>
<td>Google Fined by FTC</td>
<td>According to FTC, used cookies to track viewers of child-directed YouTube channels, without gaining parental consent to deliver targeted ads to children</td>
</tr>
<tr>
<td>2022-2023</td>
<td>Third-Party Cookie Phase Out</td>
<td>With increased governmental actions to protect consumers and mounting consumer pressures, major web browsers voluntarily decide to discontinue third-party cookies in a push to appease consumers</td>
</tr>
</tbody>
</table>

## Industry Changes

**GOOGLE’S PRIVACY SANDBOX**

Google’s response to the phase out of third-party cookies with the aim of creating technologies through the Google Chrome Browser that preserve user privacy while still facilitating the display of relevant ads.

- **Goal**: Limit tracking while still enabling websites to function normally.
- **Function**: Uses machine learning to determine which domains are used to track users and then isolates and purges the tracking data they attempt to store on the user’s device. Tracking data is classified locally on devices and browsing history isn’t sent to Apple or any third parties.

**INCREASE IN FIRST-PARTY DATA**

Phasing out third-party cookies will decrease the amount of third-party data available. Therefore, first-party data – that data which companies collect directly from its users – becomes increasingly important.

- **Next Steps**: Brands will need to re-focus their marketing budgets to have a heavier focus on owned channels and look to acquire more customers similar to their own by targeting look-alike consumers based on their first-party data.

**CONTEXTUAL ADVERTISING**

Targeting consumers by relying on context such as the content of a webpage, location or weather.

- **Function**: Machine learning processes text, speech, imagery and geolocation to deliver the right ad, to the right user, at the right time.
- **Less invasive**: Contextual advertising examines the environment in which the user is browsing and the topic and content of the page where behavioral advertising (cookies) is more focused on the specific actions a user made before reaching the web page.

## Conclusions

1. The industry is quickly changing with new developments coming out often
   - Embracing the move towards new methods is important
   - The ethical collection and use of data is becoming a competitive advantage

2. First Party Data is more important than ever!
   - Due to Third-Party Cookie Phase Out

3. There could be unfairness as first-party data becomes dominant
   - Big Tech will have access to much more data than other companies due to our natural reliance and usage of these companies and their products
   - “Data monopoly” could form

## Recommendations

1. **FTA should take a bigger role in regulating this space**
   - Could work with EU who has been very proactive in regulating data collection and privacy
   - Big tech has too much control with the industry changes due to the incredible amount of data they have

2. **The creation of industry-wide standards by the FTC would:**
   - Let consumers know their rights and the limits of data collection methods going forward
   - Give companies a clear roadmap on what to do and what not to do (the lines have been blurred for too long)

3. **Get your First Party Data in order now!**
   - Those who relied on third-party data for so long must pivot
   - New businesses should focus on creating systems for data collection through their own channels

## Background

The intersection of marketing and data analytics has continually evolved since its inception in the 1990’s. Today, there are a number of practices used to collect consumer data such as:

- Cookies
- Beacons
- Device fingerprinting
- Location data

These all help marketers to better target and re-target consumers that have expressed some sort of interest in their industry or brand.

However, the ethics behind these practices and how to successfully personalize without overstepping has become a topic of discussion as consumers become more aware and informed of the inner workings of data collection. To compile such information, marketers conduct intense tracking, typically using cookies, which includes examining behavior across the internet and building unique, identifiable profiles of consumers.

This concern has led to major changes within marketing analytics that are taking place in real-time as companies try to adjust and refocus their efforts.

## References