

Google, Yahoo and others use online history to target advertising

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Google, Yahoo and other major Internet advertising companies are developing new ways to tailor ads by tracking users' online history — and can even auction off individual customers to advertisers in the few milliseconds between a person clicking a link and the page appearing on their screen.

But with Internet advertisers increasingly adept at targeting individuals based on the digital bread crumbs they leave as they click through the Web, "behavioral advertising" is also attracting greater scrutiny from government regulators, politicians and interest groups concerned about user privacy.

Internet companies say such targeting pays off for consumers and advertisers, because it is more likely to serve up ads people are actually interested in. Critics counter that most Americans do not want advertising tailored to their interests, particularly when it requires tracking their online movements.

"It's kind of like the Wild West out there with behavioral advertising, where clearly the technology is miles ahead of our ability to regulate all the things that are going on," said Conrad MacKerron of the San Francisco-based As You Sow Foundation, which advocates for corporate responsibility. The foundation will offer a shareholder proposal at Mountain View-based Google's annual meeting May 13 asking for stronger privacy rules for personal data collected for behavioral ads.

Google launched what it calls "interest-based advertising" last year, saying it would make advertising more relevant by tracking users and categorizing their interests in topics such as sports, gardening, cars and pets. "Users get more useful ads, and these more relevant ads generate higher returns for advertisers and publishers," Susan Wojcicki, a senior Google executive, wrote on a company blog post.

Sensitive to privacy concerns, Google offers a Web page (www.google.com/ads/preferences) where users can opt out of the advertising cookie that tracks their movements. The service remains in beta mode, a Google spokesman said this week.

Dimension of immediacy

Online advertisers have long had the ability to target consumers based on wealth, gender, age, education, personal interests or physical location, but the emerging technology of "real time" offers the additional dimension of immediacy. In September, Google opened up its DoubleClick ad exchange to real-time advertising, in which Google acts as a middleman in a nearly instantaneous auction where advertisers buy access to consumers based on their Web history.

For example, if a consumer's history reveals that he has just bought a camera online, real-time bidding could allow advertisers to show ads for photography accessories or services.

"The game-changer in real time is that advertisers get to make much more data-rich decisions on the fly about which ads to show, as well as about which ads not to show," said Michael Rubenstein, president of AppNexus, a real-time advertising platform working with San Jose-based eBay and other advertisers.

Sunnyvale-based Yahoo, meanwhile, is testing improvements to real-time ad bidding technology on its Right Media exchange, and now aims to match an advertiser with a consumer in the 50 milliseconds or less before a page loads.

Ad executives say behavioral and real-time ads are gaining momentum, but critics say many consumers object to the practice. A national poll last year analyzed by scholars at UC Berkeley's Center for Law & Technology found that 66 percent of adults do not want tailored advertising online; a higher share was opposed after hearing about tracking techniques.

"There is a real disconnect between business practices in this field and consumer expectations," said Chris Jay Hoofnagle, director of the center's information privacy program.

Privacy concerns

MacKerron acknowledged that the Google shareholder proposal has no chance of passing — Google's board opposes it because the company "has already implemented industry-leading privacy controls," according to Google's 2010 proxy materials — but he said the goal is to start a dialogue.

Regulators appear certain to weigh in as well. The Federal Trade Commission in February issued a proposed set of self-regulatory principles for the industry, including that they retain consumer data for a limited time, and many observers say the commission may go further. U.S. Rep. Rick Boucher, D-Virginia, plans to introduce legislation that he said would give consumers more transparency about how Google and other companies collect personal data to help target advertising.

Boucher said consumers should always be able to opt out of tracking, and that a Web site should be able to collect sensitive information such as financial status or sexual preference only if the user first provides consent.

"We're not seeking to interfere with legitimate behavioral advertising practices," Boucher said. "What we are trying to do is make sure everyone from whom information is collected clearly knows what information was collected from them, and that they have the ability to act on that information."