Data ethics

May 2019

ADMAP

Ideas & Evidence from WARC

WARCA BY ASCENTIAL



Key considerations

- The misuse of data and concerns about advances in technology is prompting the emergence of data ethics, which evaluates how data is collected, shared and used, and the potential for data practices to cause harm.
- Various data privacy scandals and a 'Wild West' approach to consumer data such as the 2018 Facebook and Cambridge Analytica scandal has attracted the attention of lawmakers. The EU's General Data Protection Regulation (GDPR) came into force in May 2018 to give consumers more control over their personal data.
- The GDPR requires a more transparent approach to how companies collect and utilise customer data and organisations must now have consumers' informed consent. Consequently, some adtech firms closed their EU divisions due to their inability to comply to such demands.
- While consumer data is now scarcer, the GDPR has enabled brands to identify consumers who actually want to hear from them. And this is helping to rebuild trust. But ultimately, data protection compliance is an ongoing journey and organisations should not be complacent.
- Marketers need to prepare for a world of stronger data protection rights. GDPR has inspired other countries to propose similar regulation such as the CCPA in the US, China's Personal Information Security Specification and India's Personal Data Protection Bill.



Key considerations

- Stronger data protection laws mean that marketing's Holy Grail identifying consumers across all online and offline touchpoints to deliver the right message, at the right time, in the right location will be even harder to achieve.
- A first party data strategy will make it easier for marketers to provide personalisation. Advertisers may find opportunity in the emerging Personal Data Economy, which empowers people with their own data.
- As technology such as Al and facial recognition become more pervasive marketers must sense check their use of it. They should be aware of algorithmic bias and unintended consequences and minimise risk.



What this means for ...

Advertisers

- How a brand handles consumer data can either build or diminish consumer trust, and may prove to be a competitive advantage.
- Stronger data protection laws may strengthen the duopoly. Consider building a 'small' data strategy one that will enable a first party data relationship with consumers. Focus on quality over quantity, or lots of smaller, niche communities.
- Consider using alternatives to hyper-targeting and behavioural advertising such as interestbased or contextual advertising. And consider developing non-tracking affiliate partnerships with the likes of Amazon and eBay.
- Take steps to embed a culture of data ethics in the organisation: develop a checklist to evaluate your use of data and technology, hire people from diverse backgrounds and consider making data ethics a key metric. As budget holders, advertisers have the power to drive the data ethics agenda.

Agencies

- Expect more companies to pivot to privacy. Help brands develop their 'privacy as a competitive advantage' strategy. However, such a positioning requires full commitment.
- Hire people from diverse backgrounds, this will help ensure all viewpoints are considered and will help dilute any bias in the development of campaigns.
- Sense-check your approach to data-driven marketing: Is micro-targeting the best option? Is a 360-degree view of the consumer really required? Is retargeting the most effective approach? Is your approach to data nurturing a short-term or long-term relationship with consumers?
- If working on political advertising campaigns, be mindful of the dark side of micro-targeting, data manipulation and voter influence.

Media owners

- To combat brand safety issues, premium content publishers can promote the benefits of their regulated advertising environments.
- Online publishers might want to consider going 'back to basics' by promoting the virtues of selling media based on context, as opposed to data-driven audience targeting.
- Where media owners are collecting user data, using consent management platforms (CMPs) or other technologies, they must ensure they handle that information in a GDPR-compliant manner.
- As countries start to develop 'smart city' infrastructure, out-of-home media owners should ensure individuals' privacy is respected and that data ethics are not overlooked.



Data ethics: What it is and why it matters

The Open Data Institute (ODI) define the rapidly emerging area of data ethics as "a branch of ethics that evaluates data practices with the potential to adversely impact on people and society – in data collection, sharing and use... A failure to handle data ethically can harmfully impact people and lead to a loss of trust in projects, products or organisations".1

The misuse of peoples' data has real-world consequences such as the erosion of privacy, the rise of surveillance, the promotion of fake news and the weakening of democracy. ³

Marketers are increasingly using artificial intelligence (AI) which is underpinning more and more marketing activity. These little nudges influence the world around us in significant ways such as what we watch, read, eat, listen to, buy and how and what we learn about the world. ²

As marketers experiment with the likes of Al and facial recognition they must sense check their use of this powerful technology and watch out for algorithmic bias and unintended consequences.

This is particularly vital with the adoption of 5G and the development of more connected devices and 'smart cities'. As countries start to develop 'smart' infrastructure, it's vital that these cities do not become cities of surveillance. They must protect peoples' right to privacy and informational self-determination? ⁴

As technology becomes more sophisticated, more pervasive, and arguably more invisible, ethics should not be overlooked.

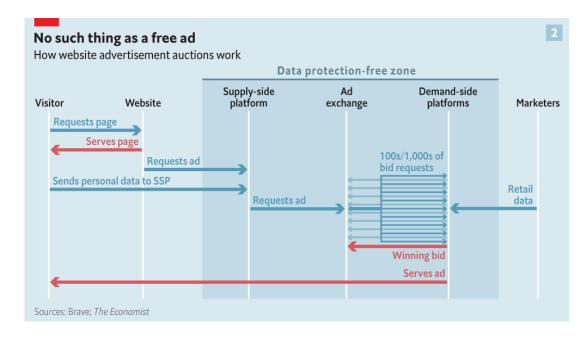


^{1.} C. Hadfield, D. McCarthy, I. Thomas and R. McKendrick, "Data Ethics: Lessons from the Co-op" Admap May 2019 2. Oliver Feldwick, "Do Androids Dream of Electric Consumers? Ethical considerations at the intersection of Al, Creativity and Marketing" Admap May 2019

^{3.} Bob Hoffman, "We don't understand how dangerous we are" Admap May 2019 4. Ann Cavoukian, "Smart Cities of surveillance", Admap May 2019



The dark side of digital marketing



Advertising, to a large extent, funds the internet, and the spread of harmful online content is having dark, real world impacts that are now impossible to ignore. ⁵ Other issues include:

Consumer data is sold and traded: The online adtech ecosystem is based on the collection and deployment of consumer data that is freely sold and traded to unknown third parties. ³ The Economist call this a "data protection-free zone". ¹¹

Surveillance: The adtech industry has turned the internet into a vast and inescapable network of tracking, surveillance, and spyware. ³ Using the internet shouldn't make people feel like they're being watched, listened to and monitored. ⁸

Fake news: The opaque digital marketing landscape has become increasingly problematic as it supports the proliferation of disinformation and fake news online. Fake news stories are ideal 'clickbait' to drive web traffic. The more clickbait created, the more revenue that can be earned from advert placement. ⁶

Echo chambers: Al filters peoples' newsfeed to feature more content related to what they're interested in, but filtered newsfeeds create an echo chamber that can reinforce bias and amplify extreme ideologies and divisive messages. ⁷

Democracy is under threat: Google and Facebook's advertising system is based on tracking users, to enable hyper-targeting, which has many unintended consequences, such as the ability for bad actors to use the system to influence elections. ⁸ The abuse of data has undermined the integrity of several important national elections and referenda. ³

Data monopolies: Monopolies engender excessive risk to competition and innovation. While the power of Google and Facebook offer mass reach opportunities, it's also clear monopolies are not always in companies' best interest. ¹⁰

^{3.} Bob Hoffman, "We don't understand how dangerous we are" Admap May 2019

^{4.} Ann Cavoukian, "Smart Cities of surveillance" Admap May 2019

^{5.} Jake Dubbins and Harriet Kingaby, "Marketers must be proactive to safeguard brand reputation" Admap May 2019

^{6.} A. Mills, C. Pitt and S. Lord Ferguson, "The relationship between Fake News and advertising: brand management in the era of programmatic advertising and prolific falsehood, Admap May 2019

^{7.} Joseph Suriya, "The importance of ethical AI" Admap May 2019

^{8.} Dax the Duck, "Ethical-by-design: Lessons from DuckDuckGo" Admap May 2019

^{9.} Charla Griffy-Brown, "AI, data and ethical marketing", Admap May 2019

^{10.}D. Dixon, S. Shapiro and N. Wolf, "Potential Implications for Marketing, Measurement and ROI in a Post-GDPR World" Admap May 2019

^{11.} Dr. Johnny Ryan, "Privacy, marketer risk, and the reform of AdTech", Admap May 2019



Digital ad fraud is widespread and undermines trust

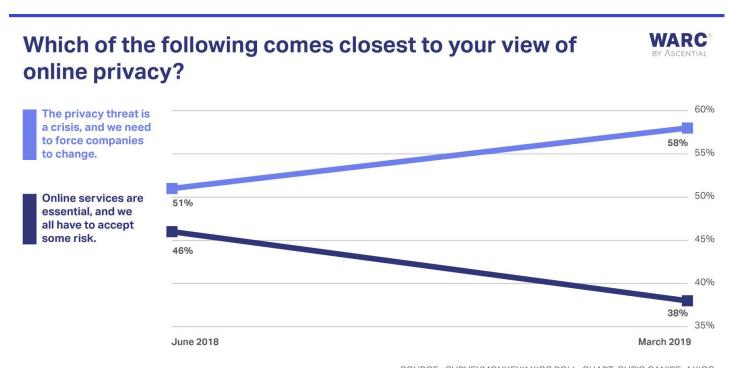
Along with brand safety issues, the online marketing ecosystem is often wasteful and fraudulent.³

The ANA (Association of National Advertisers) in the US has stated that of every online ad dollar spent, only 25 cents reaches consumers, and online ad fraud has grown to an astounding \$50 billion. ³

A 2019 survey by Credos, a UK think tank, found that consumers think advertisers have a worse reputation than bankers and energy companies. ⁵ And in March 2019 an Axios survey found 58% of US consumers think the online privacy threat has reached crisis point. ¹²

Governments across the globe are starting to take a stand against the digital wild-west that has long dominated online advertising. ⁵

In April 2019 the UK government released a white paper, Online Harm, which seeks to hold internet companies such as Facebook, YouTube and Twitter to account for streaming content that promote child abuse, extremism, self-harm and terrorism.⁵



SOURCE > SURVEYMONKEY/AXIOS POLL. CHART: CHRIS CANIPE, AXIOS

^{3.} Bob Hoffman, "We don't understand how dangerous we are" Admap May 2019
5. Jake Dubbins and Harriet Kingaby, "Marketers must be proactive to safeguard brand reputation" Admap May 2019
12. Emma Firth. "How to use data in an ethical way: Empower the consumer" Admap May 2019



The GDPR is disrupting online marketing

The EU's General Data Protection Regulations (GDPR) was enforced in May 2018 to give consumers more control over their personal data. It has changed the way we think about data ownership, security, privacy, as well as the ethics surrounding the exchange of online information. ¹⁰

The GDPR has complicated digital advertising by insisting on a more transparent approach to how companies target consumers.

The GDPR has made consumer data scarcer. But it has also gifted marketers with the ability to identify and engage with the consumers who really want to hear from them. This is favourable to the 'spray and pray' approach to customer acquisition. ^{7,12}

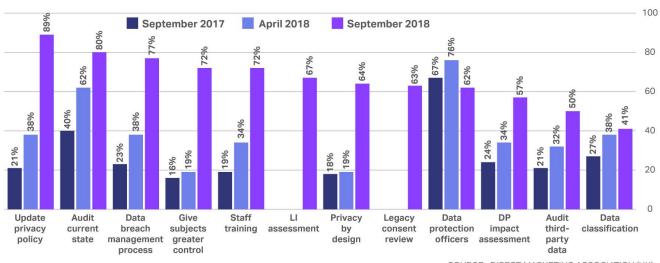
The GDPR is helping to generate and build consumer trust as it requires informed consent. ¹³

Research by the DMA found that many organisations had already implemented several of the list of priorities required under the GDPR. ¹³

Elizabeth Denham, the UK's Information Commissioner, states "The big push to readiness prompted organisations to make changes" however too many organisations now think "that's job done" but GDPR is an ongoing journey. ¹³

Which of the following have you 'already implemented' as part of your preparation for the GDPR?





SOURCE > DIRECT MARKETING ASSOCIATION (UK)



GDPR: Authorities are punishing offenders that fail to comply



The GDPR has hit adtech. Drawbridge, a cross-device tracking company and Verve, a location data firm, who decided to close their EU operations due to the inability to comply with GDPR demands. ¹³

- The Information Commissioner's Office (ICO) in the UK, and EU authorities can and will use the powers at their disposal to punish offenders for failure to comply with data protection standards. For example:
- ☑ In November 2018, Uber was fined £385,000 after paying off hackers who stole the personal details of around 2.7 million UK customers without informing the victims about the incident. ¹³

In what could be the largest fine imposed so far in the post-GDPR era, Google was fined £44 million, subject to appeal, by the French data regulator CNIL for a breach of the EU's data protection rules. ¹³

However, more work needs to be done. "Real-time-bidding" mechanisms within adtech software require reform as they remove responsibility over ad placement, putting marketers at risk of infringing against GDPR. ¹¹

For marketers, multi-touch attribution (MTA), the model that utilises digital data to attribute MROI, is the big question to answer when it comes to the impact of the GDPR. ¹⁰

The GDPR has become a de facto global privacy standard; other countries have since proposed introducing similar regulations, and tech giant Apple has announced plans to roll out its GDPR compliance solution worldwide. ¹³

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Regulatory initiatives are shaping the future







United States

- The California Consumer Privacy Act of 2018 (CCPA) will transform the legal compliance requirements for businesses that buy, sell, and use personal information throughout the global advertising ecosystem.
- ☑ The initial compliance impact of the law will be widespread – the International Association of Privacy Professionals has estimated that more than half a million US businesses will be regulated by the California law when it takes effect in January 2020.¹¹⁴

China

- The Personal Information Security Specification introduces advanced concepts of data subject rights. It proposes an "unbundling" of data protection consents which is of significant importance to marketers, as it bears directly on the ability to deploy consumer personal data for marketing purposes.
- Expect greater scrutiny to be applied to profiling and analytics and to the sharing of consumer personal data across brands. The scrutiny will focus on areas that aim to personalise advertising content such as transaction, location, device and behavioural data.¹⁵

India

- In July 2018, India's **Personal Data Protection Bill** is set for tabling in parliament in 2019. Key provisions appearing in the draft law would prohibit business from making the supply of goods or services conditional on the consumer's provision of personal data for non-essential purposes, such as marketing.
- There's growing anxiety in India about **Aadhaar**, a digital identity framework that aims to allocate each resident a unique identity number and link this identifier to fingerprint and iris scan biometric data.
- Marketers see great potential for leveraging Aadhaar for commercial gain, and India's navigation of these competing aims will be one of the most important data protection developments to watch.¹⁵

^{14.} Gerard M. Stegmaier and Mark Quist, "Navigating the CCPA: Anticipating the immediate impact and long-term pitfalls for the advertising industry", Admap May 2019

^{15.} Mark Parsons, "Data protection regulation in APAC: what it means for marketers", Admap May 2019

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The tension between personalised marketing, data privacy and ethics



While numerous studies show that personalised experiences can increase consumer engagement and purchasing, the RSA Data Privacy & Security Survey 2019 found that people do not want personalised services at the expense of their privacy. Just 17% of respondents view tailored advertisements as ethical, and only 24% think personalisation to create tailored news feeds is ethical. ¹²

As the direction of travel shifts towards stronger data protection rights and as businesses start to realise the long-term value of treating customers with respect, delivering a 360-degree view of the consumer so messaging is delivered with consent, transparency, and ethics, is increasingly at the core of data strategy. ⁷

The emerging Personal Data Economy empowers individuals with their own data. This model holds the promise of non-creepy personalisation because the individual is in an equal relationship with the brand, one based on transparent data use, informed consent and mutual benefit. ¹²

Analyst Gartner states in its research that companies should "get used to the fact that using smart data for personalisation will in future have to mean quality over quantity. It is better to have a smaller list of engaged consumers than masses of "nonsmart" data". 10

There are alternatives to hyper-targeted or behavioural advertising tactics which can be invasive and ethically questionable. Internet search engine DuckDuckGo has built a successful and profitable using keyword-based advertising which is its primary business model. ⁸

^{3.} Bob Hoffman, "We don't understand how dangerous we are" Admap May 2019

^{7.} Joseph Suriya, "The importance of ethical AI" Admap May 2019

^{8.} Dax the Duck, "Ethical-by-design: Lessons from DuckDuckGo" Admap May 2019

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The fight for first party data is on







Privacy laws and the duopoly

- In an environment of stronger data protection rights, first-party data collectors will have an increased incentive to either directly perform marketing and analytics functions or impose very strict control on partners' and vendors' use of data.
- This may benefit large, integrated companies that perform many key data processing functions or who can negotiate favourable terms from vendors and suppliers.
- It is unclear that data protection laws such as the forthcoming CCPA will rein in the companies its proponents seek to regulate. 14

Engaging opt-in consumers

- Post-GDPR, first party data is arguably more customised as it represents the subset of customers who want to engage with a brand.
- Brands should ensure they understand the wants, needs and priorities of opted-in consumers which will enable better content curation. Build communities and keep consumers engaged with 'gated' content such as thought leadership, webinars and events. 10

The Personal Data Economy

☑ The Personal Data Economy puts informed consent of first party data (rather than sourcing it from third parties) at the core of the consumer-marketing relationship. It ends the murky area of selling data to third parties and buying profiles to target consumers. It enables greater understanding of customer needs which can boost innovation and personalised marketing. 12



SOURCE > OLIVER FELDWICK

Ethical considerations for Artificial Intelligence

Companies deploy Al for multiple purposes including facial recognition, computer vision, robotic automation, natural language and machine learning. ⁷

Most often used by marketers for product or content recommendation, customer segmentation, social listening and sentiment analysis, search, predictive analytics/forecasting and personalisation as well as to power personal assistants and news feeds. ⁹

However, Al can go wrong and this can lead to insidious and potentially unethical targeting. For example there are systems that accidentally target vulnerable individuals or marketing that is simply sub-optimal because of a problem in the underlying data. ²

Al has unprecedented capabilities, and marketers must therefore prioritise responsible and ethical use. ^{7, 9, 2} The image shows four common challenges that marketers and businesses face regarding Al ethics; unfair advantage, unconscious bias, unintended consequences and unethical usage. ²

Data bias, just like human biases, results in significant social problems. A biased AI is compromised and not very useful. At worst, it amplifies the worst human tendencies such as racism or not providing opportunities for women.⁹



^{2.} Oliver Feldwick, "Do androids dream of electric consumers? Ethical considerations at the intersection of AI, creativity and marketing" Admap May 2019

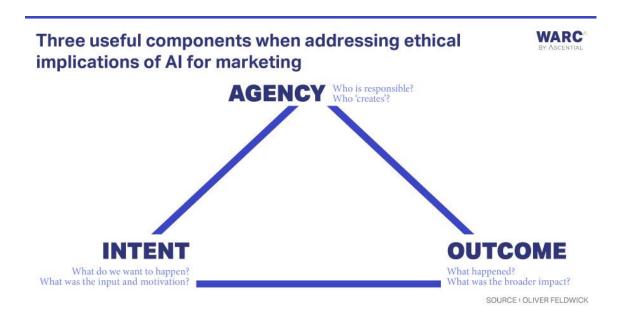
^{7.} Joseph Suriya, "The importance of ethical AI" Admap May 2019

^{9.} Charla Griffy-Brown, "Al, data, and ethical marketing" Admap May 2019

How to minimise AI risk and promote data ethics

Al and marketing ethics present complex problems, but there are some important questions to ask for ethical decision making in relation to Al and marketing:

- **Agency:** Knowing who is responsible makes it clear who should take credit, or blame.
- **Intent:** What do you want to happen, what was the input and motivation?
- Outcomes: Is it working as intended? What actually happened?²
 And in the absence of international legislation, some key principles that can minimise risk:
- Humans and machines working side-by-side.
- Ensure diversity of data, teams and thought.
- Build in safeguards, explainability and a 'killswitch'.
- Engage design ethicists and algorithm design experts.²
- Develop a data ethics checklist to help sense check use of data-driven technology.⁷



^{2.} Oliver Feldwick, "Do androids dream of electric consumers? Ethical considerations at the intersection of AI, creativity and marketing" Admap May 2019

^{7.} Joseph Suriya, "The importance of ethical Al" Admap May 2019



Data ethics: A competitive advantage that builds consumer trust



A clear message is starting to emerge from regulatory bodies: the ethical use of data will become a growing priority and focus, especially when considered with the perspective that trust is the new currency – data ethics isn't going away. 1

Reputation and trust are becoming more of a premium and, therefore, they should be high priority throughout the marketing function. 9

Marketers must treat peoples' data with due care and respect – this will be a new competitive advantage. 3

Making data ethics part of corporate culture is an investment in long-term relationships with customers and stakeholders yielding increased market share and ultimately stronger shareholder value.9

It's time to take algorithm design and design ethics seriously. Each company should have a clear point of view on appropriate use of data, machine learning, targeting and dynamic creative in their working practices. This is sensible business practice that minimises potential fall-out, but is also the right thing to do.²

Embedding ethics is a long-haul game. It requires commitment and a substantial amount of demonstration to shift attitudes, strategies, and measurement. Although time consuming and costly, it's the kind of metamorphosis that can provide your brand with the image and safety-net it needs to succeed. 10

The marketing industry must reinforce existing best practices and expand on that by coming to consensus on inherently unethical uses of data. We should get used to asking ourselves, just because we can, does it mean we should? 16

^{1.} C. Hadfield, D. McCarthy, I. Thomas and R. McKendrick, "Data Ethics: Lessons from the Co-op" Admap May 2019 2. Oliver Feldwick, "Do androids dream of electric consumers? Ethical considerations at the intersection of Al. creativity and marketing" Admap May 2019

^{3.} Bob Hoffman, "We don't understand how dangerous we are" Admap May 2019

Data ethics and profit can co-exist

DuckDuckGo, the fourth largest search engine in the US, serves over one billion searches a month globally. It is profitable without storing or sharing peoples' personal information. Its vision is to set a new standard of trust online. It is already GDPR and CCPA-compliant.

Here are a few actionable things other companies can do to remain profitable without tracking consumers and eroding their privacy:

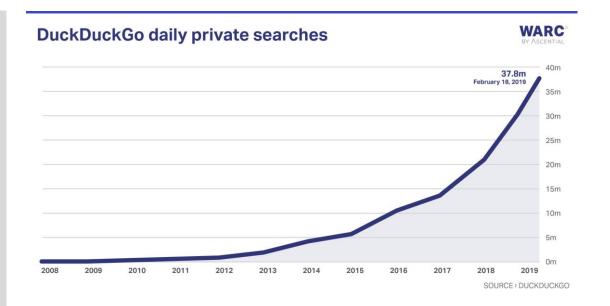
Favour interest-based advertising instead of hyper-targeted advertising:

For DuckDuckGo, this means basing ads just on the keywords people type in. For others, this could mean basing ads on the content on the page and not on the individual viewing the page i.e. an automotive magazine would feature ads for cars.

Sell advertising directly based on interests: This avoids the hyper-targeted advertising systems of Google and Facebook and takes the digital advertising industry back to its roots in contextual advertising.

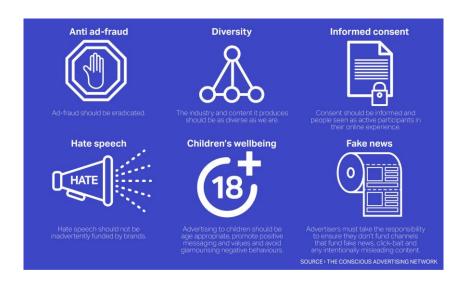
Consider using an anonymous affiliate system: DuckDuckGo has non-tracking affiliate partnerships with Amazon and eBay.

Its business model proves that invasive tracking is not the only way to run a profitable digital consumer-focused service company. 8





A higher level of responsibility is required by all parties



The Conscious Advertising Network's six manifestos can enable the industry to collectively tackle the serious faults in the existing system. The manifestos are related to eradicating ad-fraud, increasing diversity, gaining consumers' informed consent, ensuring advertisers are not inadvertently funding hate speech or fake news, and ensuring children's wellbeing online. Advertisers can ask themselves the following questions:

- What lists do we have of sites that could damage the brand?
- How are we using our influence to put pressure on the platforms to do more to moderate harmful content?
- Are we demanding that platforms do not monetise that harmful content?
- Is our brand actually funding bad actors on the internet who are creating content that contains hate speech or deliberately misleading fake news?
- Are we funding climate change denial?
- ② Do we have diverse voices, opinions and backgrounds working on our advertising?
- Are we scrutinising third party partners enough? And refusing to work with those who do not act responsibly?
- ② Are we compliant with all legislation designed to protect children?
- O Do our ad formats and technology respect our customers' online experience and expectations of privacy?
- Are we insisting we know the context within which our advertising appears? 5

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Further reading

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Bob Hoffman, The Ad Contrarian, "We don't understand how dangerous we are"

Oliver Feldwick, The&Partnership, "<u>Do Androids Dream of Electric Consumers? Ethical considerations at the intersection of AI, Creativity and Marketing</u>"

Jake Dubbins and Harriet Kingaby, Conscious Advertising Network, "<u>Marketers must be proactive to safeguard brand reputation</u>"

Ann Cavoukian, Ryerson University, "Smart Cities of surveillance"

Dax the Duck, DuckDuckGo, "Ethical-by-design: Lessons from DuckDuckGo"

John Mitchison, DMA, "<u>The future of the data and marketing industry: the post-GDPR era, ePrivacy and responsible marketing</u>"

Gerard M. Stegmaier and Mark Quist, Reed Smith, "Navigating the CCPA: Anticipating the immediate impact and long-term pitfalls for the advertising industry", Admap May 2019

Mark Parsons, Hogan Lovells, "<u>Data protection regulation in APAC: what it means for marketers</u>", Admap, May 2019

Joseph Suriya, Tealium "The importance of ethical AI"

David Dixon, Sebastian Shapiro and Nicole Wolf, Truesight Consulting, "<u>Potential implications for marketing, measurement and ROI in a post-GDPR world</u>"

C. Hadfield, D. McCarthy, I. Thomas and R. McKendrick, The Co-op, "<u>Data Ethics: Lessons from the Co-op</u>"

Charla Griffy-Brown, Pepperdine University, "AI, data and ethical marketing"

Emma Firth, Digi.me, "How to use data in an ethical way: Empower the consumer"

Dr. Johnny Ryan, Brave, "Privacy, marketer risk, and the reform of AdTech"

A. Mills, C. Pitt and S. Lord Ferguson. S, "<u>The relationship between Fake News and advertising: brand management in the era of programmatic advertising and prolific falsehood</u>"

Rachel Glasser, Wunderman, "The new core values: data privacy and data ethics" Admap May 2019

WARC Best Practice

What we know about artificial intelligence

What we know about data protection and privacy

The convergence of brand purpose and data ethics

<u>How to manage consumer data</u> responsibly

More from WARC

Why you need to think about your data ethics strategy now

GDPR: From surveillance to marketing ethics

Marketers must get a grip on privacy in 2019

ESOMAR data protection checklist