

# **Ethical Issues of Online Advertising and Privacy**

Keelan Carpenter  
University of Tennessee Chattanooga  
CPSC 3610  
November 25, 2013

## **Abstract**

Growing angst over the use of personal information and online tracking executed by advertising companies have motivated researchers and lawmakers to confront the ethical issues involved in the unique arena of online advertising. Research has found that online advertising has long been a part of the online community and continues to be as it is the main income for many of the largest online entities, such as Google. Nevertheless, many online instances involving online tracking bring about ethical quandaries due to the nature of the Internet and what qualifies as dishonest advertising. Other ethical issues involve how advertising companies target and track children. Even so, laws such as the Federal Trade Commission Act and Children's Online Privacy Protection Act seek to protect consumers online. However, laws do not protect websites from lost revenue due to advertisements not properly displaying or being blocked altogether.

## **I. Introduction**

In the past fifteen years, there has been growing concern over the rise in online tracking and the advertising companies that profit. The ethical implications of online advertising can be found in the first instance of online advertising up to the modern tactics of advertising that raises privacy concerns for both adults and children. There are also ethical issues surrounding the message of advertisements and the laws that govern them; and finally, the possible ramifications of blocking the online advertisements. Advertising has likely been a part of human interaction since the advancement of bartering and trade. Furthermore, American history can be studied by historic advertising paraphernalia alone. It is no surprise that when the world began connecting on the Internet that advertisers found a new route to reach the masses.

## **II. Online Advertising History**

Advertising's two most basic functions are informing and persuading audiences [1]. When we apply this same scope when analyzing what is on the Internet, we find that many websites as a whole qualify as advertising. Typically, the advertisements we identify when online are the banner ads, pop-ups or search ads, but this was not always the case. The precursors to the Internet, ARPANET and later NSFNet, actually forbid any form of advertisement up until 1991[2]. Advertising violated the terms of service which could result in being removed from the network. However, the temptation of reaching people directly that were spread out over a great distance was too great. In 1978, the first recorded instance of spam happened as computer manufacturer sent an e-mail to most all of the ARPANET's west coast users advertising their new computer model [2]. Despite terms and conditions of using the network, this trend exploded and became what we now know as spam. By 1990, websites began using banner ads to supplement the cost of providing service and/or content [3]. Even so, these banner ads did not

direct you to a different webpage until 1993 [3]. These forms of advertisements were the standard form of advertisement until 2000 when Google launched their "AdWords" program that provided search advertisements [4]. Currently, advertisements are ingrained in nearly every website and most websites themselves function as an advertisement because nearly every company, product or service has an online presence. This is evident in studies on children's ability to recognize advertisements online versus television.

### **III. Targeting Children**

A study performed by research done at George Mason University showed that by age five children can identify advertisements on television, but only seventy-five percent of children ages eleven and twelve can identify advertisements online [5]. To protect children online, the United States Congress passed Children's Online Privacy Protection Act (COPPA) in 2000 [5]. This law states that any website that collects personal information from children under the age of thirteen must post disclaimers and ask for parental permission. Considering the increasingly difficult task of identifying what is an advertisement online, such laws address the concern of advertising unethically targeting children. Unfortunately, only twenty-three percent of ad sites that collect personal information of children under thirteen comply with COPPA [5]. According to Cai and Zhao, children will still click on an ad for various reasons such as their interactive nature followed by parental consent not being requested by the advertisement [5]. The privacy of children online should be handled in an ethically sound manner, but the privacy of all age-groups online is currently shrinking with the growth of behavioral advertising.

### **IV. Behavioral Advertising**

Behavioral advertising is advertising to select users based on their browsing history or prior purchases [6]. The goal is to finish sales. For example: if you were browsing for a tandem

kayak online and researching prices, but later went back to normal browsing and on websites that do not relate to outdoor sports displayed advertisements for kayaks, canoes and other various products similar to kayaks. This form of advertising is a premium service offered by advertising companies, but also raises ethical and privacy concerns. The author's research showed that from November 4th till November 19th of 2013, visiting one hundred and sixteen websites resulted in connections with four hundred third party sites. When visiting utc.edu alone during the same time-frame resulted in visiting three other third party sites, but still being connected to forty-six third party sites of which thirteen of the forty-six stored cookies on the author's computer. University of Tennessee at Chattanooga's website does collect information according to privacy statement on utc.edu, "We also collect aggregate information on what pages users access or visit," but the privacy statement also states, "The administrators of the UTC WEBSITE are making every effort to minimize and safeguard the personal information associated with each user account that resides on the system [7]." Although the administrators strive to protect personal information, what is commonly known as non-personally identifiable is typically seen as permissible and ethical to track, store and categorize. Yet, with the overwhelming amounts of information being gathered, known as big data, even when it is all non-personally identifiable information, this big data can still be aggregated to narrow the results to a single individual [8]. Also, there are companies that gather and sell personally identifiable information. Marketing companies that sell this information enable behavioral advertising to work by parsing the customer and business information. After the information is parsed, each person in their database is given a persona based on the gathered information. Then advertisements can be directed towards you based on this persona. According to University of Pennsylvania and the Berkeley Centre for Law and Technology, people are upset with this form of advertising and do not want

this advertising tailored to them [9]. Not only are consumers disgruntled with behavioral advertising, researchers found that consumers perceive advertisers to have questionable ethical standards [10]. These negative views of advertising companies have led researchers to evaluate the effects of implementing online privacy trustmarks.

## **V. Online Privacy Trustmarks**

Perceptions of advertiser's ethics and privacy concerns are shown to improve when a seal of approval known as online privacy trustmarks are added to advertisements [10]. Researchers performed a series of experiments that demonstrated the effectiveness of these trustmarks that were added to online advertisements. The research showed an improvement in consumer's perception of advertiser's concern regarding information privacy [10]. According to the researchers, there is a "potential for online privacy trustmarks to be the catalyst for a renewed ethical debate with respect to the advertising industry and consumer information collection and usage [10]." While the views of online advertisement companies may be negative due to privacy concerns, the same laws that apply to traditional advertisements now apply to online advertisements as well.

## **VI. Current Laws**

The most useful law for attempting to ensure quality and control in advertisements is the Federal Trade Commission (FTC) Act [11]. This enacted power for the FTC to ensure deceptive and unfair advertisements can be prosecuted. However, what qualifies as deceptive is often unclear. For example, at a monster truck show there was a Volvo car in the field of victim cars that survived being crushed by a monster truck running over it. Volvo found an opportunity for a great commercial by retelling this story and hired a marketing company to produce a commercial. The production of the commercial required a number of re-takes and multiple shots

and in order for the Volvo to survive multiple encounters with the bottom of a monster truck required re-enforcing. When it was discovered the car was re-enforced for the commercial, there was a large public backlash [12]. Another marketing technique involves hiring a professional actor to advertise a product in a popular venue, such as a beautiful women with a new phone in a bar. This actor is not paid to lie, but the whole venue is pure theatrics meant to look real. The Volvo story is an example of lying to present the truth and the actor in a bar is the opposite [12]. These two examples demonstrate how it is difficult to determine what advertising is misleading and what is not. The same issues are only exasperated online as many advertisements seek to gather more traffic to websites paying the advertising companies. One such example is off-brand products using logos or images of the brand name products in the banner ads. Advertisements for online dating sites are another example of using the truth to tell a lie. Pictures in the particular advertisement may contain actual members on the website, but they represent the exception and not the norm. Nevertheless, it is not always the advertising companies taking advantage of the new technologies in our everyday lives.

## **VII. Blocking Advertisements**

It is estimated that nine percent of browsers currently accessing pages on the Internet are using ad-blocking applications [13]. Ethics of online advertising is not only focused on the ways in which companies choose to employ various advertising schemes, but also the consumers. Many online companies, such as Google, make their profits in online advertising [14]. Since companies pay Google for advertising and analytic services, Google can only perform these services if users do not use ad-blocking software or applications that disable tracking. As for the legality, the FTC has determined it is the company providing the advertisements responsibility that the advertisements display properly [15].

## **VIII. Conclusion**

Future solutions to ethical concerns of advertising online should not only look at truthfulness of advertisements, but also the transparency for how information gathered from users is stored and sold. The ethics of building a business off of selling the massive amounts of information with no choice to opt-out is also a current issue within the online advertising market. Most consumers know and accept that various "bonus" cards at retail stores enable companies to gather information, but the rewards or bonuses they offer make the deal acceptable. The current online trend is a difficult opt-out program that involves constantly finding new ways to block online entities from tracking users. Changing laws to enact some ethical standards must also be improved upon past standards set. As mentioned earlier, advertising was against the terms of service for the precursor of the Internet but was not enforced. The possible solution of adding trustmarks to advertisements must also be regulated at trustworthy levels or end up becoming a meaningless logo. Finally, children should not be targeted for tracking in the same manner that "bonus" cards are not given separately to children, apart from their parents. Incentivizing tracking with an opt-in program and -incentivizing not disabling advertisements online would likely settle many ethical issues surrounding privacy and targeting children, but likely not confront the issue of selling large databases with many consumers' and businesses' personal information.

## References

1. Nan, X., Anghelcev, G., Myers, J.R., Sar, S., and Faber, R. (2006) "What if a Website can Talk?" *Journalism & Mass Communication Quarterly*
2. Templeton, B. (2008). "Reflections on the 25th Anniversary of Spam"  
<http://www.templetons.com/brad/spam/spam25.html>
3. Gibson, M. (12 July 2012). "History of Online Display Advertising". *Vantage Local*.  
<http://www.vantagelocal.com/history-of-online-display-advertising-2/>
4. "Google Launches Self-Service Advertising Program". Google. October 2000.  
<http://googlepress.blogspot.com/2000/10/google-launches-self-service.html>
5. Cai, X., and Zhao, X. (2013) "Online Advertising on Popular Children's Websites: Structural Features and Privacy Issues" *Computers in Human Behavior*. Elsevier
6. Drell, L. (26 April 2011). "4 Ways Behavioral Targeting is Changing the Web"  
<http://mashable.com/2011/04/26/behavioral-targeting/>
7. "Privacy Statement" The University of Tennessee at Chattanooga Website. Accessed November 19, 2013. <http://www.utc.edu/about/privacy.php>
8. Barbaro, M. and Zeller, T. (2006) "A Face Is Exposed for AOL Searcher No. 4417749" *The New York Times*. <http://www.nytimes.com/2006/08/09/technology/09aol.html>
9. "US web users reject behavioural advertising, study finds". *OUT-LAW News*. 2009-09-30.  
<http://www.out-law.com/page-10410>
10. Lwin, M.O., Miyazaki, A.D., and Stanaland, A.J.S (2011) "Online Privacy Trustmarks" *Journal of Advertising Research*
11. Austin, M.J., Reed, M.L. (1996) "Targeting children online: Internet advertising ethics issues" *Journal of Consumer Marketing*.



12. Moore, C. (2006) "Ethics in Advertising" Advertising Educational Foundation.

[http://www.aef.com/on\\_campus/classroom/speaker\\_pres/data/6000](http://www.aef.com/on_campus/classroom/speaker_pres/data/6000)

13. "Clicked off: Doom beckons for online ads". The Economist. 10 November 2012.

<http://www.economist.com/news/international/21565931-doom-beckons-online-ads-clicked>

14. "How Google Makes Its Money" Accessed November 25, 2013.

<http://www.bestaccountingschools.net/google/>

15. "Advertising and Marketing on the Internet: Rules of the Road" (2000) Federal Trade

Commission. <http://business.ftc.gov/documents/bus28-advertising-and-marketing-internet-rules-road>