

Raise the Curtains: The Effect of Transparency about Targeted Advertising on Attitudes and Behavioral Intentions (Extended Abstract)

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Behavioral advertising is defined as the practice of “tracking of a consumer’s online activities over time - including the searches the consumer has conducted, the web pages visited, and the content viewed - in order to deliver advertising targeted to the individual consumer’s interests” [5]. This practice, both in terms of data collection and use of collected data for targeting, is typically invisible to consumers. The collection of data goes unnoticed because it often occurs without informed consent, and even when consent is obtained, consumers are typically only asked for a one-time blanket assent when they register to an online service for the first time. After this initial consent, consumers are usually provided no reminder about the continuous practice of data collection. In addition, when ads are delivered, there is no simple way for consumers to distinguish targeted ads from non-targeted ads, or to figure out what information was used in the targeting process. Therefore, as far as consumers are concerned, behavioral targeting happens behind the scenes. This paper aims to investigate the effect of “raising the curtains” by making individuals’ aware of targeting at the time when the targeted ad is delivered. In particular, we focus on the impact of heightened awareness of targeting on individuals’ attitudes towards the ad and their behavioral intentions towards the advertised product.

The industry favors the use of targeted advertising because, relative to non-targeted ads, targeted advertisements generate higher click-through rates [4] and higher sales [1]. But consumer surveys about perceptions of targeted advertising suggest that, by and large, individuals do not like being tracked and do not wish to receive behaviorally targeted advertisements [8, 9, 11].

In order to address the growing privacy concerns associated with large-scale consumer data collection, the U.S. Federal Trade Commission (FTC) has laid out a set of recommendations, one of which focuses on being transparent about how consumers’ information is collected and used [5, 6]. Previous research, however, provides contradictory evidence concerning

how transparency impacts attitudes and behavioral intentions. Research from the recommendations systems literature suggests that providing explanations for how recommendations are selected increases users’ trust in the recommendation system and their likelihood to use the system in the future [2, 10]. Transparency about targeted advertising could work in a similar way if it helped users understand how advertisements are selected for them, and if this explanation in turn helped build trust in the targeting platform. On the other hand, personalized advertisements could be perceived as intrusive or creepy, prompting individuals to avoid the advertisement [3, 7, 12]. Transparency about targeting may elicit feelings of intrusiveness because it reminds people about the incessant tracking of their data, and may therefore worsen attitudes and behavioral intentions towards targeted ads.

Our ongoing research consists in a series of surveys and experiments aimed at understanding the impact of transparency on users’ attitudes towards ads and behavioral intentions towards advertised products. In our studies, transparency is instrumented through the use of text notices shown on advertisements that convey the fact that the displayed advertisement has been selected for the user based on some information about the user. Our goal is two-fold. First, we hope that our research will inform policy makers about the incentives that a self-regulated ad industry might have in implementing transparency. Arguably, firms can attempt to implement transparency in a manner that selfishly also increases their ad revenues. Second, we also hope to guide industry practitioners toward general mechanisms that effectively employ transparency without negatively impacting consumers’ attitudes and behavioral intentions.

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