

## Article /Survey Results

# Use of Behavioral Targeting by Pharma Marketers

## When Is It Appropriate?

**Author: John Mack**

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**VirSci Corporation**

PO Box 760

Newtown, PA 18940

[infovirsci@virsci.com](mailto:infovirsci@virsci.com)

“The practice of advertising has clearly been revolutionized by the emergence of the Internet. Today, we can match the content of an ad to the interests of the consumer in ways undreamed of just a few short years ago,” said Nancy Hill, President & CEO, American Association of Advertising Agencies (see “Industry Tightens Its Standards for Tracking Web Surfers”; <http://bit.ly/b6e8or>).

One way of matching content of ads to the interests of the consumer is by using Behavioral Targeting (BT) techniques. BT (aka interest-based advertising) uses information collected on an individual's web-browsing behavior, such as the pages they have visited or the searches they have made, to select which advertisements to display to that individual. Practitioners believe this helps them deliver their online advertisements to the users who are most likely to be interested.

To implement BT, Web surfers are tracked using invisible cookies stored on their computers. That is the only way that site D can know a visitor to the site pre-viously visited sites A, B, and C. Site D can then use this information to serve the appropriate ads or other content based on previous visits.

#### How Big a Deal is BT?

eMarketer estimates online advertisers in the US will spend more than \$1.1 billion on behaviorally targeted advertising in 2010. By 2014, spending will hit \$2.6 billion. The estimate represents steady growth rates of about 20% from 2009 through 2014 (see Figure 1, this page).

Behaviorally targeted ad dollars will rise as a proportion of online display spending from 14.2% in 2010 to nearly 20% by 2014, when ads targeted based on interests or intentions will account for 7.6% of total US online ad spending, says eMarketer.

It's not so much that people don't want to be "followed," they want to know WHEN they are being followed and by WHOM and WHY. The currently accepted standard in good privacy practices requires that consumers be notified about how they can opt-out from programs that use their data for marketing purposes. While behavioral tracking may not use "personally-identifiable data," this may be too fine a distinction for patient advocates and the press.

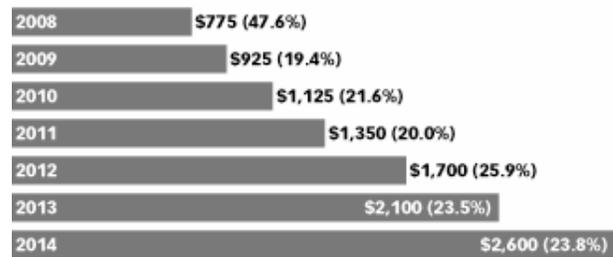
#### Use of BT by Pharma Industry: Some History

Pharma already got a load of bad press related to consumer tracking on the Internet back in 2000 or thereabouts, when an Internet marketing company called PharmaTrak enticed pharmaceutical companies to allow them to place tracking cookies on consumers' computers without them being aware of

#### FTC Definition of Behavioral Targeting

Online behavioral advertising involves the tracking of consumers' online activities in order to deliver tailored advertising. The practice, which is typically invisible to consumers, allows businesses to align their ads more closely to the inferred interests of their audience. In many cases, the information collected is not personally identifiable in the traditional sense—that is, the information does not include the consumer's name, physical address, or similar identifier that could be used to identify the consumer in the offline world. Instead, businesses generally use "cookies"—small text files that a website's server places on a computer's web browser to track consumers' activities—and associate those activities with a particular computer or

#### US Behaviorally Targeted Online Advertising Spending, 2008-2014 (millions and % change)



Source: eMarketer, January 2010

110737

www.eMarketer.com

Figure 1. US Behaviorally Targeted Online Advertising Will Exceed \$1 Bn in 2010. The figures include spending on online ads displayed to a select audience whose interests or intentions are revealed by Website or ISP tracking data, audience segmentation or predictive analysis.

it—or allowing them to opt-out. The company tracked which product sites these consumers visited and reported the information back to their pharma clients. [Do a Google search on "PharmaTrak" and you can read all about it.]

Although the pharmaceutical companies did not gather any personally-identifiable information about consumers, they were raked over the coals in the press and even sued in court. The incident was the chief motivating force that finally induced companies to create the Chief Privacy Officer (CPO) function.

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The first pharmaceutical CPO ever named—as far as I am aware—is Jean Paul Hepp, formerly the CPO at Pfizer, and known as "JP" to his friends. JP's career was put on the line by the PharmaTrak scandal (his company, Pharmacia—since purchased by Pfizer—was a PharmaTrak client).

"I've been in marketing for 20 years, so I know the techniques used by marketing and sales," said JP at an industry conference while he was Pfizer's CPO. "You [marketing] guys are really collecting too much data. You're making my life difficult. I would urge you to do it smartly. Data is becoming such a high risk within our companies. Whenever you collect data, think twice. You should collect less data and data of higher quality." JP also went on to say that data must also be classified according to risk. HIV-related data, for example, is more risky to pharma companies than health food related data.

### Self-Regulatory Principles

In December 2007, the FTC released proposed self-regulatory BT principles for public comment. The proposed principles included four governing concepts:

1. **Transparency and Control:** companies that collect information for behavioral advertising should provide meaningful disclosures to consumers about the practice and choice about whether to allow the practice.
2. **Security and Data Retention:** The second principle proposes reasonable security and limited data retention. Companies should provide reasonable data security measures so that behavioral data does not fall into the wrong hands, and should retain data only as long as necessary for legitimate business or law enforcement needs.
3. **Changes to Privacy Policies:** The third principle governs material changes to privacy policies. Before a company uses behavioral data in a manner that is materially different from promises made when the company collected the data, it should obtain affirmative express consent from the consumer.
4. **Opt-In:** The fourth principle states that companies should obtain affirmative express consent before they use sensitive data—for example, data about children, health, or finances—for behavioral advertising.

Several major trade groups in the advertising industry—including the American Association of Advertising Agencies, Better Business Bureau, and the Direct Marketing Association—recently published the "Self-Regulatory Principles for Online Behavioral

Advertising," which reflects several of the FTC's suggestions. Included are 7 principles:

- I. **The Education Principle** calls for entities to participate in efforts to educate consumers and businesses about online behavioral advertising.
- II. **The Transparency Principle** requires the deployment of multiple mechanisms for clearly disclosing and informing consumers about data collection and use practices associated with online behavioral advertising.
- III. **The Consumer Control Principle** provides for mechanisms that will enable users of Web sites at which data is collected for online behavioral advertising purposes the ability to choose whether data is collected and used or transferred to a non-affiliate for such purposes.
- IV. **The Data Security Principle** requires entities to provide reasonable security for, and limited retention of, data collected and used for online behavioral advertising purposes.
- V. **The Material Changes Principle** directs entities to obtain consent before applying any change to their online behavioral advertising data collection and use policy that is less restrictive to data collected prior to such material change.
- VI. **The Sensitive Data Principle** recognizes that certain data collected and used for online behavioral advertising purposes merits different treatment.
- VII. **The Accountability Principle** calls upon entities representing the wide range of actors in the online behavioral advertising ecosystem to develop and implement policies and programs to further adherence to these Principles.

### Survey Results

Many of the companies engaged in behavioral advertising are so-called "network advertisers," companies that select and deliver advertisements across the Internet on websites that participate in their networks. One such network serving the pharmaceutical industry is e-Healthcae Solutions. R.J. Lewis, President and CEO of that company, has said that "Ethical issues exist for technologies such as behavioral targeting. No one wants to be 'followed' around the Web with a human immunodeficiency virus (HIV) ad, simply because they have previously visited a website with HIV-related content. However, health food or gym equip-

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ment can be promoted to those who have viewed fitness content or such benign disease categories as allergies or gastroesophageal reflux disease. Behavioral targeting creates a problem with regard to acceptable practices and defining what health care categories may be appropriate for employing behavioral-targeting technologies" (see "Behavioral Targeting: RJ vs JP"; <http://bit.ly/9S9leN>).

Lewis's comments prompted *Pharma Marketing News* to host the "Use of Behavioral Targeting by Pharma Marketers" survey between July 2009 and February 2010. This survey asked respondents to indicate their level of agreement or disagreement with the following statements regarding pharma's use of BT in advertising and marketing:

- Pharma should not use behavioral targeting under any circumstances to deliver advertising or other content to consumers online.
- The pharmaceutical industry should adopt similar self-regulatory principles that were established by media and marketing trade associations (see <http://bit.ly/d9hf2m>) to protect consumer privacy when employing behavioral targeting.
- Use of Behavioral Targeting by pharma marketers to promote Rx drugs that treat extremely privacy-sensitive medical conditions such as AIDS/HIV, Herpes, erectile dysfunction, etc., is appropriate as long as privacy principles are adhered to.
- Use of Behavioral Targeting by pharma marketers to promote Rx drugs that treat less serious or less privacy-sensitive medical conditions such as allergies, migraine, pain, etc., is appropriate as long as privacy principles are adhered to.
- Use of Behavioral Targeting by pharma marketers to implement unbranded disease awareness campaigns is appropriate as long as privacy principles are adhered to.

Nearly half of the 86 respondents indicated that they were employed by pharma industry service providers (marketing or advertising agencies) and 26% said they were employed by pharmaceutical companies (see Figure 2). The vast majority (80%) said they were very supportive (46%) or somewhat supportive (34%) of the drug industry.

The survey explained how BT works and approximately 82% of respondents said they were definitely familiar (50%) with how BT works before they took the survey, whereas 32% said they were generally knowledgeable about BT. The remainder—about 18%—said they would not have been able to describe how BT works prior to taking the survey.

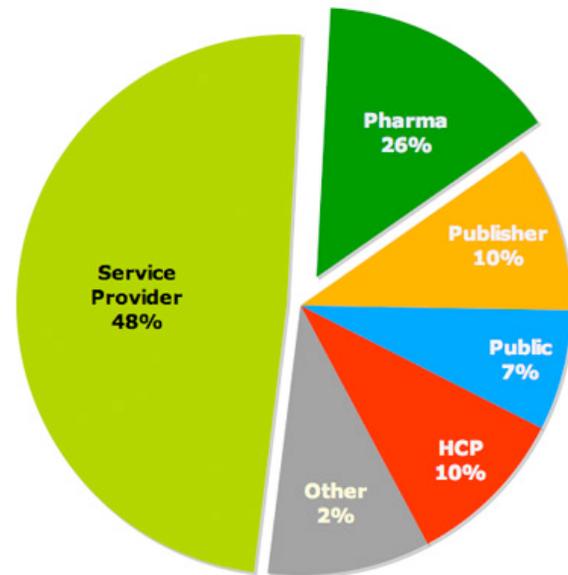


Figure 2: Affiliations of Survey Respondents

About 24% of respondents said they have personally used BT techniques and 33% said that although they were an advertising or marketing professional, they have never used BT.

A large majority (about 85%) of respondents agreed that the pharmaceutical industry should adopt self-regulatory principles similar to those adopted by the advertising industry (see page 3 and Figure 3, pg 5).

Only a minority of respondents (about 30%) think that BT should not be used by pharma marketers under any circumstances. "First off, I don't think cookies about \*any\* medical conditions should be used in BT or stored on a potential patient's computer," said an anonymous respondent who strongly agreed that pharma marketers should not use behavioral targeting under any circumstances. "Pharma has \*no\* right to potentially infringe on my privacy \*about anything\*. No company has the right to risk your privacy just for a remote chance you'll click on a banner or change your behaviour."

Generally, respondents agree that behaviorally targeted advertising is better used for drugs that treat less serious conditions or medical conditions having less privacy issues than for drugs or medical conditions with more serious privacy issues. "What is 'less privacy sensitive' for you might be extremely sensitive for me," said one respondent. "Say I work in an animal lab and have been struggling with allergies, say I'm a pilot and I have migraines, or let's just say I use a shared computer and I want to keep my medical conditions to myself. As for info about

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## Use of Behavioral Targeting By Pharma Marketers

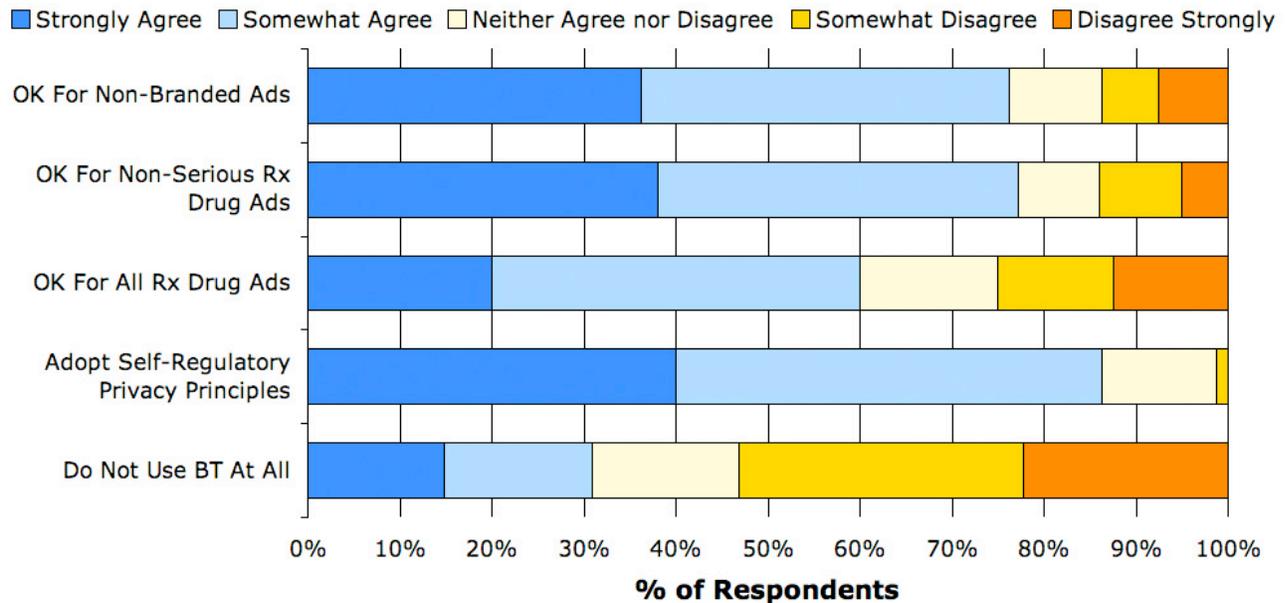


Figure 3. Summary of Survey Results. N=82.

STD's, etc., I think there should be a list that is defined and is legislated for to ensure nobody oversteps the mark. Being diagnosed with HIV can get you discriminated against, fired, or worse."

Some other comments from survey respondents include:

"I see no problem w/ the data collection, as long as all it is used for is more targeted marketing," said Erica Dhawan, Marketing Associate, Covance, Inc. ([www.covance.com/marketaccess](http://www.covance.com/marketaccess)). "I think this usage helps the consumer. Amazon does this amazingly well, stating 'This product has been recommended to you because you bought this other product...' I see no reason not to share with consumers why they are being targeted for certain campaigns, and they should be able to opt out at any stage. Consumers are very poor predictors of their own behavior, so behavioral targeting is probably the most accurate marketing method there is."

"BT is not well understood by the average consumer," said Jean Toomey (<http://www.linkedin.com/in/jeantoomey>), Director, Business Development, Digital Vision Productions. "It's not as if it 'knows' exactly who you are - it just knows you as a user who has 'raised your hand' so to speak, by indicating interest in certain topics. If I were in the market for a new convertible, I would not have a problem seeing ads for convertibles. That

being said, there is a 'creepy' factor to overcome. The whole issue of opt-in versus opt-out is an interesting one as well. Did you know that only 10% of internet users regularly remove cookies?"

"As with all web based activities, the greatest value will be gained by targets if the informational service value of behavioural targeting messages outweighs heavily 'branded' communications," said Top Dog/CEO, Doghouse. "In this (contemporary/innovative medical solutions) arena, information is the currency of value. A brand that refuses/is unable to inform, but simply 'promotes' will have little or no value. A brand that over informs will be depriving targets of service - the service being to deliver the information that is important to them as individuals. I am unsure if technology is yet allowing us to tailor messages in behavioural (I'm English) targeting in such a sophisticated, individualised way."

"Facebook is the biggest offender of behavioral targeting and it's much more offensive to me than anything the pharmaceutical industry does," said Nicole Rivera, Product Marketing Manager at SMI Health Media (<http://www.smihealthmedia.com/>), a marketing communications agency. "If your profile states your single on FB, they blast you with match.com, ads, in addition to adding single people

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in your age range and geographic area to your 'suggested friends' list. An ad that pops up on my screen that relates to something I've just researched seems harmless compared to that."

### Conclusion

Pharma marketers face unique regulatory boundaries whatever marketing techniques and channels they use. Given the sensitivity of ad targeting and privacy issues in the healthcare arena, they face even broader regulatory and legislative hurdles when engaged in BT advertising.

While such formidable hurdles might imply lesser spending growth than estimated, it could also make for a more stable market with clarified rules, contends eMarketer.

"A more open deal between the two sides, the ad industry and consumers, could help draw more ad dollars to behavioral targeting," said eMarketer senior analyst David Hallerman. "In that case, traditional brand marketers would be less concerned about giving a black eye to their brand image through what some consumers see as privacy violations from behavioral targeting.

"And many consumers would wind up more educated about the essential anonymity of behavioral targeting and therefore could more readily accept such ad targeting in exchange for free content," Mr. Hallerman said.

Lewis believes that behavioral targeting is "fully operational" and "ignoring [it and other] new technologies may help competitors by allowing them to gain a competitive edge through behaviorally targeting their marketing messages and trial offers to others' customers."

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