

2012 ANNUAL COMPLIANCE REPORT

A LETTER FROM NAI EXECUTIVE DIRECTOR

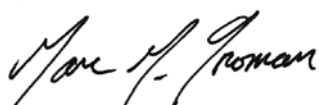
Regulators have rightfully stated that industry self-regulation only works when it is backed up by serious compliance efforts, tough enforcement, and accountability. I agree. I joined the NAI just over one year ago, motivated by my belief that effective self-regulation based upon meaningful standards and rigorous enforcement is critical for the success of the online advertising ecosystem. In the year that I've served as Executive Director, the NAI has continued to advance this model of self-regulation.

Our Code of Conduct – which has among the highest standards in the industry – prescribes notice, choice, use limitations, data minimization, access, security, and accountability requirements with respect to online behavioral advertising. Looking ahead, we intend to update our Code to ensure that it remains relevant in a world of rapidly evolving business models and new technologies.

The keystone of the NAI's self-regulatory framework is our comprehensive compliance program that includes annual reviews, ongoing technical monitoring, sanctions procedures, and annual reporting. The compliance team demonstrates year-after-year that self-regulation works and 2012 was no different. The 2012 NAI compliance review provided a meaningful assessment of evaluated member companies' compliance with the NAI Code and demonstrated that member companies continue to take their obligations under the Code seriously.

As this report illustrates, our efforts extend beyond strict compliance with the Code. As NAI staff engages with our members, they continuously recommend best practices based on lessons learned from examining the business activities of dozens of companies. We constantly challenge ourselves to think creatively about the application of fair information practice principles in our ever-changing digital landscape. Through these efforts, the NAI raises the bar for responsible data management across the entire third-party ecosystem.

I am proud of our compliance team and of the results of this year's annual review. I look forward to working with member companies to develop and implement the updated NAI Code and to help ensure that NAI policies remain relevant and enforceable for an increasingly diverse range of third-party data collection practices.



Marc Groman
Executive Director, NAI

A LETTER FROM NAI **BOARD CHAIRMAN**

The NAI is the gold standard and model for self-regulatory programs, as demonstrated by our thirteen-year commitment to best practices in online behavioral advertising. That commitment is reflected in the NAI's Code of Conduct, a set of strict standards that govern the collection and use of data for online advertising. All member companies, including my own, must publicly attest to abide by these standards.

What sets the NAI apart, though, is its rigorous compliance program. Companies like mine cannot simply "sign up" for NAI membership. To the contrary, member companies are required to annually renew their commitments to abide by the NAI Code and to undergo a robust review to help ensure that they meet their promises. While these annual reviews may require companies to expend significant time and resources, they are necessary to help ensure full compliance with the Code. The compliance team conducts careful reviews of each member company's processes, procedures, and technical systems such as opt-out mechanisms. And I know from personal experience that they don't conclude their reviews until they have satisfactory answers to all their questions.

This process is not an easy one, but it makes all NAI member companies better by helping to ensure we are meeting the obligations of the NAI Code and providing end users with transparency and control. By bringing an external perspective that is informed by industry best practices, the NAI compliance team helps us to integrate the principles set forth in the NAI Code into our everyday thinking. The annual review, moreover, forces us all to take a careful look at our existing practices and disclosures at least annually, and thus reinforces our existing privacy-by-design reviews.

A handwritten signature in black ink, reading "Robert J. Gratchner". The signature is written in a cursive, flowing style.

Rob Gratchner

NAI Board Chairman and Vice President, AudienceScience

EXECUTIVE SUMMARY

The Network Advertising Initiative (NAI) is the leading self-regulatory body governing “third parties” in the online advertising ecosystem. The NAI’s nearly 100 member companies engage in or support Online Behavioral Advertising (OBA, sometimes referred to as Interest-Based Advertising), and include ad networks, platforms, data aggregators, ad exchanges, creative optimization firms, and others. These diverse companies all commit to self-regulatory standards that establish and reward responsible business and data management practices.

The NAI's compliance and enforcement program includes pre-certification reviews, annual compliance reviews, ongoing technical monitoring, mechanisms for accepting and investigating complaints, and sanctions procedures.

To be members, companies must abide by the NAI 2008 Self-Regulatory Code of Conduct (NAI Code or Code). The Code requires transparency with respect to companies' data collection and use practices and choice with respect to the collection and use of data for OBA. The Code also requires consumer education efforts, limits the use of data collected for OBA, restricts the transfer of data collected for OBA to third parties, requires members to work with "reliable" data sources, and mandates reasonable security for the data they collect and use for OBA. Finally, the NAI Code disincentivises the collection of personally identifiable information (PII). For example, the Code requires a heightened level of choice for the use of PII and restricts the transfer of PII to third parties. The NAI Code also governs members' collection and use of data for Ad Delivery and Reporting, which includes activities such as reporting, frequency capping, and attribution.

These obligations are backed up by a rigorous compliance and enforcement program. This year-round effort helps members comply with NAI requirements and holds them accountable when they don't. Even before a company may represent NAI membership, it must undergo an extensive pre-certification review. The compliance team then assists members in meeting Code obligations through informal consultations as well as proactive technical monitoring of member companies' opt-out mechanisms. At the same time, the compliance program includes formal review procedures designed to identify potential violations of the NAI Code, investigate those practices, and, if necessary, sanction member companies. In-depth annual reviews of each member company's business practices are the foundation of the compliance program.

This report details NAI staff's findings with respect to the compliance of the 76 member companies reviewed in 2012. It also explains the improvements the NAI made to its own self-regulatory program over the past year.

Effective self-regulation must constantly evolve to reflect changes in business models, technologies, and public policy. To this end, in its 2011 Annual Compliance Report, the NAI committed to strengthening its self-regulatory program in myriad ways, including: (1) making the NAI website more user-friendly; (2) increasing its technical monitoring of member companies' opt-out mechanisms; (3) requiring member companies to regularly report the domains they use for OBA; and (4) adding staff to the NAI's compliance team to keep pace with the NAI's growing membership. In 2012, the NAI successfully addressed each of these recommendations.

As in previous years, NAI staff and evaluated member companies expended enormous resources on the 2012 compliance review process. In total, NAI staff conducted nearly one-hundred interviews and reviewed thousands of pages of documentation. Evaluated member companies provided extensive information and otherwise cooperated with NAI staff, resulting in a thorough examination of their business practices. The process began with a detailed questionnaire that was substantially revised in 2012 to reflect evolving business practices. The compliance team reviewed members' responses to the questionnaire and supporting documentation, and also independently evaluated member companies' business practices as described on their websites, privacy policies, proprietary business materials, terms of service, contracts with advertising partners, and marketing materials. The compliance team then interviewed high-level management and engineering personnel concerning their internal processes and policies for ensuring compliance with the Code.

This year's annual review found that evaluated member companies take the obligations imposed by the NAI seriously and are, on the whole, meeting the requirements of the NAI Code. In early 2012, NAI member companies contributed billions of ad impressions to educational campaigns that lead users to important and consumer-friendly information that explains how data is collected and used for OBA and the choices available to them. In addition, member companies have continued to provide notice to users of OBA data collection and use practices directly in the targeted ads they serve. Given these efforts, it is not surprising that more than ten million users visited the NAI's education website and that of the Digital Advertising Alliance, an umbrella industry self-regulatory organization with which the NAI participates.

The 2012 compliance review, as well as the NAI's technical monitoring of its members opt-out mechanisms, demonstrated that evaluated member companies provide the opt-out mechanisms required by the NAI Code and that those mechanisms, on the whole, function as intended. Evaluated member companies have improved systems for continually checking the operation of their opt-out systems. These efforts by member companies,

coupled with the NAI's own monitoring, help to ensure that users' opt-out choices are honored.

Evaluated member companies were also found to meet their obligations with respect to personally identifiable information (PII). As a result of the Code's disincentivizing the use of PII, all evaluated member companies collect and use only data that is *not* PII (non-PII) for OBA purposes. Evaluated member companies, moreover, take affirmative steps to help ensure that PII is not inadvertently passed to them, or, if it is inadvertently passed, that it is not stored or used for OBA purposes. Similarly, no evaluated member company was found to collect Sensitive Consumer Data for OBA purposes or to allow the use of data collected for OBA for purposes other than marketing.

While the NAI is pleased with the work it has done to improve its self-regulatory program and the hard work of its members to comply with the NAI Code, the NAI constantly seeks to improve. To that end, in 2013, the NAI intends to update its Code of Conduct, to adopt guidelines to govern the collection and use of data on mobile devices, and to develop rules addressing the use of technologies other than standard http cookies. The NAI looks forward to working with member companies on these critical initiatives and to reviewing nearly 100 member companies in the 2013 annual compliance review.

This year's review found that evaluated member companies take the obligations imposed by the NAI Code seriously, and are, on the whole, meeting those obligations.

THE NAI'S SELF-REGULATORY MISSION

NAI CODE

The cornerstone of the NAI's self-regulatory framework is the NAI's Code of Conduct (NAI Code or Code).¹ Membership in the NAI requires companies to publicly state that they adhere to the NAI Code. The Code, in turn, imposes transparency, notice, and choice obligations on members with respect to the collection and use of data for OBA, defined as "any process used whereby data are collected across multiple web domains owned or operated by different entities to categorize likely consumer interest segments for use in advertising online."² The NAI Code specifically obligates member companies to provide notice of data collection for OBA, and to "provide and honor" choice with respect to the collection and use of data for OBA. The Code also requires them to educate users about OBA, imposes limitations on the use of data collected for OBA and the transfer of such data to third parties, requires members to obtain data used for OBA from reliable sources, and requires members to secure the data they collect.

¹ The NAI Code is available at <http://www.networkadvertising.org/principles.pdf>. This report summarizes the obligations imposed by the NAI Code, but does not fully restate all principles set forth in the Code and should not be relied upon for that purpose.

² The Code also imposes requirements with respect to "Ad Delivery & Reporting," defined as "the logging of page views or the collection of other information about a browser for the purpose of delivering ads or providing advertising-related services." Ad Delivery and Reporting includes providing an advertisement based on a browser or time of day, statistical reporting, and tracking the number of ads served on a particular day to a particular website. (NAI Code § II.3)

The cornerstone of the NAI's self-regulatory framework is the NAI's Code of Conduct.

THE NAI COMPLIANCE PROGRAM

The obligations imposed by the NAI are backed up by a rigorous compliance and enforcement program. The NAI's compliance processes seek to ensure that NAI member companies continuously comply with the NAI Code and holds members accountable when they fail to do so. Those processes, detailed below, include: (1) pre-certification reviews, (2) annual compliance reviews, (3) ongoing technical monitoring; and (4) mechanisms for accepting and investigating complaints of non-compliance. The pre-certification process is designed to bring companies into compliance with the NAI Code before they become members. Once companies are members, if the compliance procedures uncover a material violation of the NAI Code, the NAI may impose sanctions, including referral to the NAI Board of Directors, suspension or revocation of NAI membership, and referral to the FTC or other enforcement bodies.³

While formal reviews and enforcement procedures are the heart of the NAI's compliance program, the NAI's model and philosophy extend beyond annual reports and the threat of sanctions. The

compliance program is designed to help members stay in compliance with the NAI Code through, for example, informal consultation throughout the year. Member companies are accordingly able to incorporate the principles reflected in the NAI Code into their business practices as they evolve. Similarly, NAI compliance staff often advise member companies on proposed changes to privacy disclosures, helping to ensure that those disclosures remain relevant and consistent with Code requirements.

NAI Code Obligations

- Transparency/Education
- Notice
- Choice
- Use Limitations
- Transfer Restrictions
- Access
- Reliable Sources
- Data Security
- Accountability

³ NAI Compliance Program Attestation Review Process, available at http://www.networkadvertising.org/compliance_and_enforcement_program.pdf; NAI Compliance Program Consumer Complaint Process, available at http://www.networkadvertising.org/consumer_complaints.pdf.

The NAI's compliance and enforcement program includes pre-certification reviews, annual compliance reviews, ongoing technical monitoring, mechanisms for accepting and investigating complaints, and sanctions procedures.

In addition, the NAI regularly engages in external monitoring designed to identify and rectify potential issues before they affect users. Through daily automated monitoring of member companies' opt-out mechanisms, for example, the compliance team identifies possible glitches in member companies' opt-outs. When such issues are identified, NAI staff helps affected companies to resolve them expeditiously. Similarly, the compliance team monitors consumer complaints and press concerning member companies and their partners to help identify potential compliance issues.

Through these efforts, which go beyond strict Code compliance, the NAI seeks to improve the practices of all members, thereby promoting the health of the online advertising ecosystem as a whole.

Pre-Certification Reviews

While the NAI is a membership organization, companies may not simply "sign up" for NAI membership. To the contrary, in order to become a member of the NAI, a company must undergo a thorough review by NAI staff and align its practices with the requirements of the NAI Code. This review includes an extensive written questionnaire and multiple interviews conducted by NAI staff. Among other topics, the interviews and questionnaire address prospective members' business models, data collection practices, and the types of technologies used for OBA-related purposes. NAI staff also reviews applicants' marketing materials and consumer-facing privacy disclosures all before the company is a member of the NAI.

Through the pre-certification process, NAI staff attempts to ensure that companies' privacy

disclosures adequately and accurately reflect the types of data they collect, the methods they employ to collect data, and their data sharing and retention practices. Many companies must implement significant revisions to their privacy disclosures in order to meet NAI requirements. In some cases, companies have altered or eliminated particular business practices in order to join the NAI. The pre-certification process also includes methodical testing of opt-out scripts. NAI staff tests the opt-out scripts to verify that companies set opt-out cookies with the correct parameters, and that those cookies are not inadvertently deleted.

Ongoing Complaint Intake and Automated Monitoring

Once members of the NAI, companies must abide by the NAI Code and are subject to the NAI compliance program. To that end, NAI staff evaluates members' compliance with the NAI Code throughout the year. NAI staff investigates all allegations of non-compliance, whether raised by consumers, media reports, advocates, or other member companies. Where necessary, NAI staff launches investigations of member companies, requiring member companies to respond to staff inquiries and to provide documentation. As noted above, if any such investigation reveals a material violation of the NAI Code, the NAI may impose sanctions, including publication of the violation, revocation or suspension of membership, or referral to the Federal Trade Commission.

In addition to monitoring complaints and media reports, the NAI proactively monitors the functionality of its members' technology to look for evidence of non-compliance. Since 2009, this monitoring was comprised primarily of regular manual testing of member companies' opt-out mechanisms. This testing often helped to identify potential issues before they affected users. Nevertheless, in its 2011 Annual Compliance Report, NAI staff noted that it had uncovered isolated issues with opt outs and committed to increasing and formalizing its technical monitoring of members' opt-out mechanisms.⁴

⁴ NAI 2011 Annual Compliance Report, at 19-20, available at http://www.networkadvertising.org/2011_compliance_report.pdf.

In 2012, the NAI honored its promise, increasing and formalizing its testing of members' opt-out mechanisms. The NAI built a compliance monitoring tool to help ensure that opt-out cookies are properly set and respected, and that locally stored objects (LSOs) are not used for OBA purposes. To do this, the compliance tool: (1) automates web crawls to gather data related to opt-out functionality and reliability; (2) analyzes crawl data for signs of opt-out malfunctions or potential disregard of opt-out cookies; and (3) reports aggregate results of these analyses on an hourly basis. NAI staff reviews these reports to help identify any member opt-out mechanisms that are not consistently functioning as intended.

In its 2011 Compliance Report, NAI staff also recommended that all member companies be required to report the domains that they use for OBA on a regular basis.⁵ In 2012, the NAI implemented this recommendation. All member companies – not only those evaluated in 2012 – now report the domains that they use for OBA to NAI on a quarterly basis. NAI staff uses the list of reported domains to build a registry that informs its technical monitoring, and cross-checks the registry with members' opt-out scripts to help ensure that the opt-out mechanisms cover every domain used by member companies for OBA.

Collectively, this reporting and monitoring helps the NAI to ensure that potential issues are addressed as early as possible. It also helps the NAI to identify any issues that require investigation or initiation of sanctions procedures.

Annual Compliance Reviews

Each year following admission to the NAI, member companies are required to renew their public attestations to comply with the NAI Code and to undergo a compliance review conducted by NAI staff. These annual reviews proactively examine NAI member companies' business practices and public representations against the requirements of the NAI Code. NAI staff also uses the review process to educate member companies of their obligations under the NAI Code and to offer suggestions for aligning companies' activities and policies with existing best practices that go beyond Code requirements.

Evaluated member companies and NAI staff expend enormous resources in these reviews. In 2012, for example, NAI staff held nearly 100 interviews and reviewed thousands of pages of questionnaire responses, privacy policies, contracts, internal policies, marketing materials, website content, training materials, and other documents. For their part, evaluated member companies invested hundreds of hours in responding to a written questionnaire, participating in interviews, and following up with NAI staff. Though resource-intensive for both NAI staff and the companies evaluated, these reviews pay enormous dividends. In addition to helping NAI staff identify compliance issues (and ensure that they are expeditiously addressed, or if necessary, impose sanctions), they also help member companies to identify and address potential problems, help to ensure that opt-outs are functioning and present acceptable user experiences, provide members insight into current industry best practices, and help the NAI to continually evolve its official policies through a current and thorough understanding of the online ecosystem.

The specific methodology and findings relative to the NAI's 2012 annual review are set forth in the next section.

⁵ *Id.* at 20.

2012 ANNUAL COMPLIANCE REVIEW

METHODOLOGY

For the 2012 annual compliance review, NAI staff reviewed the 76 companies that were NAI members as of January 1, 2011. These 76 companies are referred to throughout the report as “evaluated member companies.” Those companies that joined the NAI in January 2012 or later were subject to review as part of the pre-certification process and must attest to compliance with the NAI Code, but were not assessed in the 2012 annual review process.

For the 2012 annual review, NAI Staff conducted nearly 100 interviews and reviewed thousands of pages of questionnaire responses, privacy policies, contracts, internal policies, marketing materials, website content, training materials, and other documents.

Training

The NAI's compliance program for 2012, as in previous years, began with a compliance training presentation. That presentation was designed to refresh members' knowledge of the Code, to train them on new NAI policies, and to present best practice suggestions for going beyond the requirements of NAI Code and formal NAI policy. The presentation supplemented the training that NAI staff conducts on individual policy issues and best practices throughout the year.

Written Questionnaires and Supporting Documentation

Following this training, evaluated member companies were required to engage in a multi-stage written evaluation and interview process. First, evaluated companies were required to provide written responses to a detailed questionnaire. The questionnaire, which was substantially revised in 2012 to account for evolving data collection practices and business models, asked members to describe their practices and policies relative to NAI Code requirements, and to provide supporting documentation. The topics covered by the questionnaire included: descriptions of any business practices involving the collection and use of data for OBA and related purposes; education efforts undertaken by the company; notice of OBA data collection practices provided on websites controlled by the company and on other websites; any means used by the company to identify or track users; technical descriptions of the company's opt-out functionality; lists of cookies used (and their uses) after opt out; processes for data sharing and data acquisition; any use of PII for OBA or related purposes;

Agenda for 2012 Member Training

- **Education**
- **Notices (member and partner websites)**
- **Working with Website Publishers**
- **Opt Outs**
- **Internal Policies and Procedures**
- **The NAI's Compliance Review Program**
- **Next Steps, Action Items**

Evaluated Member Companies⁶

[x+1]	Glam Media
24/7 Real Media	Google
33Across	I-Behavior
Adap.tv	IDG Tech Network
Adara Media	Invite Media
Adblade	Legolas
AdBrite	Lotame
Adconion	Magnetic
AddThis (including x-Graph)	Markit
Admeld	MaxPoint Interactive
Aggregate Knowledge	Media Innovation Group
Akamai	Media Math
AOL	Media6Degrees
AppNexus	MediaMind (including Eyewonder)
AudienceScience	Mixpo
Batanga	Microsoft Advertising
Bizo	Netmining
BlueKai	OwnerIQ
BrightRoll	Pulse360
Brilig	PulsePoint
Burst Media	RadiumOne
Buysight	Rocket Fuel
Casale Media	RichRelevance
Chango	The Rubicon Project
Channel Intelligence	ShareThis
Cognitive Match	Specific Media
Collective (including Tumri)	SteelHouse
Core Audience (formerly Red Aril)	Targus (now Neustar Information Services)
Cox Digital Solutions	Tribal Fusion
Criteo	TruEffect
Cross Pixel Media	Turn
DataLogix	Undertone
DataXu	ValueClick Media (including Mediaplex)
Datonics	Vibrant Media
Dedicated Networks	Videology
Dotomi	Yahoo! (including interclick)
eXelate	Yume
EZTarget Media	
FetchBack	

⁶ Two companies – Adchemy and Epic Marketplace (formerly Traffic Marketplace) – were members of the NAI as of January 2012, but have since withdrawn from the NAI, and thus were not included in the annual review. Epic has ceased operations, and Adchemy has represented to the NAI that it no longer engages in online behavioral advertising. See <http://www.adchemy.com/privacy-policies>.

data retention practices; security procedures; use of sensitive or potentially sensitive data; and mechanisms for responding to consumer complaints.

The NAI compliance team reviewed every submission and all supporting documentation. The compliance team also evaluated member companies' business practices, reviewing their websites, privacy policies and other consumer-facing disclosures, marketing materials, and press releases. In addition to these publicly available materials, NAI staff reviewed business proprietary materials supplied by members, including internal policies and procedures and non-public marketing materials, contracts, and terms of service. Finally, the compliance team tested the functionality of members' opt-out tools, reviewed the websites of members' partners for notice and choice disclosures, and engaged in automated web browsing intended to determine the behavior of member companies' systems after setting an opt-out cookie.

Interviews

Following its review of member companies' submissions and other materials, NAI staff conducted one or more interviews with representatives from 74 of the 76 evaluated member companies, primarily high-level management and engineering staff.⁷

The compliance team questioned these representatives about business and policy issues such as the collection and use of data for OBA purposes; policies governing those practices; contractual requirements imposed on business partners concerning notice, choice, and other protections for data collected and used for OBA purposes; and processes for oversight and enforcement of contractual requirements. The compliance team questioned technological

⁷ Two companies provided a written response and supporting documentation that were so thorough that they addressed all of NAI staff's questions and concerns and no interviews were necessary.

representatives about data flows; opt-out functionality; data retention; all technologies used for OBA and related purposes; and technical measures to prevent the use of any PII for OBA purposes.

During these interviews, NAI staff assessed members' compliance with the NAI Code, and also suggested best practice improvements to enhance transparency, choice, and other protections, even where members' practices were consistent with NAI requirements. For example, in some cases, NAI staff recommended making privacy disclosures more prominent and recommended language intended to make the disclosures more clear and complete. NAI staff also encouraged members to minimize the data they collect for OBA, particularly on health-related websites, and to limit the time for which they keep OBA data.

After these interviews, NAI staff followed up with all member companies documenting the NAI's initial findings and best practice suggestions. For more than half of the evaluated member companies, NAI staff had further questions or concerns following the initial interview. NAI staff used further correspondence and calls to ensure that all outstanding issues were addressed and resolved to the satisfaction of NAI staff.

Attestations

As a final step in the annual compliance review, member companies were required to attest in writing to their ongoing compliance with the NAI Code and the veracity of the information provided in the review process. This certification is intended to supplement members' public attestations, made when becoming members of the NAI, that they comply with the NAI Code.

FINDINGS

The Code requires the NAI to publish the results of its annual reviews of member companies, including a summary of consumer complaints and the resolution of those complaints. The following report sets forth the findings of NAI staff with respect to the compliance of the evaluated member companies with the requirements of the NAI Code in 2012.

Education

The NAI Code requires members to collectively maintain an NAI website to serve as a centralized portal offering explanations of OBA and access to consumer choice mechanisms. (§ III.1(a).) Members are also required to individually and collectively educate consumers about OBA and the choices available to them. (§ III.1(b).) In 2012, the NAI and its member companies continued to meet their obligations under these provisions of the Code, hosting and re-invigorating consumer-friendly content intended to educate users about OBA and the choices available to them.

In its 2011 Compliance Report, the NAI committed to updating its website to make it easier for consumers to find relevant information and to opt out, and for regulators, advocates,

New & Improved Online Presence

Homepage

NAI Network Advertising Initiative

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2012 ANNUAL COMPLIANCE REPORT

REQUEST YOUR COPY NOW!

Join NAI Network Advertising Initiative

Apply for a Network Advertising Initiative membership and take advantage of the great benefits!

LEARN MORE

LEADING INDUSTRY SINCE 2000

What is the NAI? We are a coalition of more than 90 leading online advertising companies championing the responsible and transparent use of information for online behavioral advertising (OBA). Since 2000, we've been working with the leaders in online advertising to build consumer awareness and to reinforce responsible business and data management practices and standards. We believe that implementing these best practices will enhance trust and support the continued development of informative, creative,

RECENT NEWS

- Network Advertising Initiative Releases 2011 Compliance Report
- Marc Groman Appointed New Executive Director of NAI
- Network Advertising Initiative Releases 2010 Compliance Report
- NAI Joins Cross Industry Self-Regulatory Effort Program Launch of Enhanced Notice Icon
- NAI and NAI Release Technical Specifications for

CONSUMER Opt-out

Opt out of interest-based advertising delivered by NAI member companies.

FAQs

NAI Network Advertising Initiative

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What is it? How Does it Work? How Does it Benefit Me? What Are My Options? FAQs Glossary

UNDERSTANDING ONLINE ADVERTISING

Home » Understanding Online Advertising » Frequently Asked Questions

Frequently Asked Questions

WHAT IS IT?

What is interest-based advertising (sometimes called "online behavioral advertising")?

Interest-based advertising uses information collected across multiple websites that you visit to predict your preferences or infer interests and to show you ads that are more likely to be of interest to you. [MORE](#)

What is "personally identifiable information"?

Personally Identifiable Information (PII) includes name, address, telephone number, email address, financial account number, government-issued identifier, and any other data used or intended to be used to identify, contact or precisely locate a person. This information is not used without permission for Interest-Based Advertising by NAI member companies.

What is "non-personally identifiable information"?

Non-Personally Identifiable Information (Non-PII) is information that is not, on its own, used to identify, contact or precisely locate a particular individual. Used for interest-based advertising by NAI member companies, this data consists primarily of clickstream information (pages you have visited or links you have clicked) that is tied to a randomly generated anonymous user identifier.

Is personally identifiable information used for interest-based advertising?

While it is possible to use personally identifiable information for interest-based advertising, NAI member companies primarily use only non-personally identifiable information. The NAI Code would require member companies to provide notice and to obtain consent prior to using personally identifiable information for interest-based advertising. Interest-based advertising does not depend on information that may be personally identifiable to you, such as your name, e-mail address, your phone number, photographs, etc.

UNDERSTANDING ONLINE ADVERTISING

What is it?
How Does it Work?
How Does it Benefit Me?
What Are My Options?
FAQs
What is it?
How Does it Work?
What Are My Options?
Your Privacy & Personal Information
Glossary

New Education Page

NAI Network Advertising Initiative

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What is it? How Does it Work? How Does it Benefit Me? What Are My Options? FAQs Glossary

UNDERSTANDING ONLINE ADVERTISING

Home » Understanding Online Advertising » Frequently Asked Questions

Benefits of Interest-Based Advertising?

It helps keep content free, helps consumers and empowers the economy

Learn More

WHAT IS IT?

Online Advertising is a broad term used to describe the paid advertising that publishers put on their websites to enable them to provide you content and services for free. But what most people hear about is a specific type of online advertising that is tailored to your likely interests by companies promoting their products or services. This is known as **Interest-Based Advertising (IBA)** or **Online**.

HOW DOES IT WORK?

With Interest-Based Advertising, NAI member companies help advertisers show relevant ads – matching ads with broad interest categories or groups like "male clothing shoppers ages 25-34" or "car buyers in Illinois."

MORE

HOW DOES IT BENEFIT ME?

There are numerous benefits to Interest-Based Advertising including:

- Keeping content and services free
- Providing content and ads that are better matched to your interests
- Preventing intrusive or annoying ads

WHAT ARE MY OPTIONS?

Interest-Based Advertising helps support sites you visit so that you can enjoy free content from news to sports scores to recipes. At the same time, Interest-Based Advertising helps advertisers reach the right people for their products/services.

You, as a consumer, have several choices to control the collection and

and academics to find information about the NAI, the requirements of the NAI Code, and the NAI's compliance program. In 2012, the NAI followed through on this commitment. The new NAI website is better-organized and easier to digest. It clearly presents consumers with critical information about OBA, including a prominent opt-out button and extensive FAQs intended to help consumers understand how data is collected and used by NAI member companies for OBA, and to help them troubleshoot in the event they have difficulty opting out. The new site also details the requirements of the NAI Code and NAI policies, explains the NAI compliance program, and presents a series of Q&As about the NAI, its mission, and its relationship with other industry groups.

As an extension of this website redesign, the NAI in early 2013 launched an entirely new consumer education page that presents new educational content in a clear and user-friendly manner.⁸ The page seeks to convey meaningful information to consumers using plain language and creative content. It explains what OBA is and how it works, using real-world examples and images depicting common uses of OBA. It also describes the benefits of OBA, the AdChoices icon, and the roles of various players in the online advertising ecosystem. Finally, it explains the options available to users for controlling the collection and use of data from their browsers.

In 2012, NAI member companies continued their efforts to drive traffic to the NAI's education page and other educational materials. In total, NAI member companies donated billions of ad impressions to banner ads that link to the NAI's consumer education web page and to the DAA's educational campaign, hosted at

⁸ In addition to these improvements to the content and layout of the NAI site, the back-end technology on which the website was built contains improved reporting tools that have supplemented and supported NAI staff's testing of members' opt-out mechanisms.

<http://www.youradchoices.com/>.⁹ Like the NAI's education page, the DAA's education page presents information about OBA and the DAA's "AdChoices" icon through creative content, including videos that explain how OBA works and the choices available to users. As a result of the work of NAI member companies and other players in the OBA ecosystem, these consumer education resources saw more than ten million unique visits in 2012.¹⁰

Through members' education efforts as well as the notice requirements discussed below, NAI member companies drive traffic to the NAI's consumer choice page. That page (prominently linked from every page on the NAI's website) provides users with information about which member companies have active OBA cookies on their computers and, if they wish to do so, allows them to opt out of OBA by all NAI member companies in only two clicks.

Notice

The NAI Code requires member companies to provide notice of their OBA and Ad Delivery and Reporting Activities on their own websites, and to ensure that notice is provided on the websites where they collect data for such purposes. The notice must include descriptions of members' OBA and Ad Delivery and Reporting activities, the data collected and how such data will be used and transferred, any merger of PII and non-PII, a data retention statement, and a link to an opt-out mechanism. (§ III.2(a).)

Users can opt out of OBA by all NAI member companies in only two clicks

The screenshot shows the NAI Consumer Opt-Out page. The header includes the NAI logo and navigation links: ABOUT NAI, CODE & ENFORCEMENT, CONSUMER EDUCATION, CONTACT & SUPPORT, OPT OUT, JOIN NAI, and BLOG. The main heading is 'CONSUMER OPT-OUT'. Below this, there is a section titled 'Opt Out of Online Behavioral Advertising' which explains that NAI members are committed to transparency and choice. It states that the NAI opt-out tool was developed in conjunction with its members for the express purpose of allowing consumers to 'opt out' of all the behavioral advertising delivered by its members. It also mentions that some ads are customized based on predictions about user interests, and that the type of ad customization is sometimes called 'targeted advertising' or 'interest-based advertising'. The page provides instructions on how to use the tool to opt out from receiving interest-based advertising from some or all of the participating companies. It lists several steps: find out which participating companies have currently enabled customized ads for your browser; see all NAI members and learn more about their advertising and privacy practices; check whether you've already opted out from member companies; opt out of browser-enabled interest-based advertising by some or all members, using the opt-out tool to store your preferences in your browser; and use the 'Choose All Companies' feature to opt out from all currently participating companies in one step. The page also notes that opting out does not mean you will no longer receive online advertising, as it only means that the company or companies from which you opted out will no longer deliver ads tailored to your web preferences and usage patterns. At the bottom, there is a table showing the status of opt-outs for all NAI member companies (100), NAI members customizing ads for your browser (62), and existing opt-outs (0). A button labeled 'Select all' is also visible.

⁹ The DAA is a coalition of industry associations, including, in addition to the NAI, the AAAA (4A's), the AAF (American Advertising Federation), the ANA (Association of National Advertisers), the DMA (Direct Marketing Association), and the IAB (Interactive Advertising Bureau), with support from the Council for the Better Business Bureaus. Those associations have adopted a set of principles that, like the NAI Code, impose transparency and choice obligations on participating member companies engaged in online behavioral advertising. See Self-Regulatory Principles for Online Behavioral Advertising, available at <http://www.aboutads.info/obapprinciples>. In 2011, NAI members were required to begin providing their opt outs on the DAA's opt-out page in addition to the NAI's.

¹⁰ See, e.g. <http://www.aboutads.info/blog/teaching-consumers-about-interest-based-ads-their-opt-out-choices>.



NAI members continue to lead industry efforts to provide notice to users in and around the ads they see using the DAA's Advertising Options Icon.

As detailed above, most companies make substantial revisions to their privacy policies in order to qualify for membership in the NAI. During the annual review process, NAI staff reviews each company's privacy policy to help ensure that the disclosures match the company's current practices. NAI staff also offers suggestions where applicable to make those disclosures more clear, conspicuous, and consistent with industry best practices. As a result of these review processes and members' commitment to provide transparency for their practices, NAI staff found that evaluated members' privacy policies not only meet the requirements of the NAI Code, but many have become increasingly easy to find and to understand over the past three years.

Because the vast majority of NAI member companies do not have direct relationships with Internet users, the NAI Code requires that, in addition to providing notice in their own privacy policies, members take measures to ensure that the websites where they collect data also provide notice of data collection for OBA purposes.

Specifically, the NAI Code requires members to contractually require that the sites where they collect data for OBA purposes provide notice of such data collection as well as a link to an opt-out mechanism, and to take reasonable steps to enforce such contractual requirements. This year's annual review confirmed that members continue to take these obligations seriously, and that they impose and enforce contractual notice obligations on their partners.

In addition, NAI members continue to lead industry efforts to provide notice to users in and around the ads they see. NAI members serve the DAA's "Advertising Options Icon" trillions of times per month. That icon, which provides "just in time" notice, offers consumers yet another means by which they can be informed of OBA and the choices available to them.¹¹

Health Transparency

In early 2011, the NAI adopted a "health transparency policy." That policy requires member companies to disclose any "standard interest segments" that are based on health-related information. This policy is intended to capture those interest segments for which Opt-In Consent is not required under the Code,¹² but nevertheless relate to the human body and may factor into an individual's decision about whether to opt out of targeting by a particular member company. Thus, for example, member companies may have interest segments associated with general health categories such as headaches, allergies, or diet and fitness that would not require Opt-In Consent under the NAI Code, but would require disclosure under the transparency policy.

¹¹ Though enhanced notice is not a requirement of the current NAI Code, the NAI's revised draft code of conduct would require members to provide, and to support the provision of, notice in or around interest-based ads.

¹² The NAI Code requires Opt-In Consent for the collection and use of "Sensitive Consumer Data," which is defined to include "precise information about past, present, or potential future health or medical conditions or treatments, including genetic, genomic, and family medical history." Thus, for example, if an NAI member company were to seek to market to users on the basis of sensitive health conditions such as any type of cancer, mental health-related conditions, or sexually transmitted diseases, the company would need to clearly explain that intent and to obtain Opt-In Consent for such use. No NAI member companies currently target users on the basis of such segments.

The NAI believes that, from industry's perspective, this additional layer of transparency for health-related segments promotes compliance with NAI Code requirements, and also helps to normalize best practices by all participants in the online advertising marketplace. From a consumer's perspective, the additional transparency enhances confidence that sensitive health-related information is not collected and used without their knowledge and consent. It also supports more educated decisions about whether to opt out of the collection of data for behavioral advertising purposes by some or all NAI member companies.

As promised in the NAI's 2011 Annual Compliance Report, the NAI began fully enforcing the health transparency policy in 2012. To accomplish this, NAI staff questioned member companies about their standard interest segments and ensured that any such segments related to the human body were disclosed on members' websites. These disclosures take a variety of formats: some companies disclose all standard interest segments available to their partners, whether or not the segments are related to health topics. Other companies list all health-related segments on pages linked from their privacy policies. Still other companies provide common examples of health-related targeting that they may allow.¹³ Disclosed health-related interest segments include categories such as "healthy living," "fitness and exercise," "cold and flu," "allergies," "headaches," "vision," "heartburn," and "alternative medicine."

Choice: Opt-Out Consent

NAI member companies are required to provide and honor choice for the collection and use of data for OBA purposes. The level of choice required by the NAI Code depends on the intended use of the data. (§ III.3(a).) With respect to the use of non-PII, member companies are required to provide and honor an opt-out mechanism.¹⁴ As described above, the NAI website serves as a centralized repository for members' opt-out mechanisms. The NAI Code also requires members to provide a means by which users can opt out of OBA on their own websites.

This year's automated testing and annual review confirmed that all member companies provide the opt-out mechanisms required by the NAI Code. As with notice, member companies have continued to make these disclosures easier to locate such as through prominent "opt-out" buttons at the top of their websites or links to their opt-out pages from the footer of every page on their websites. The review also demonstrated that members' opt-out mechanisms continue to work reliably and as intended.

Evaluated member companies affirmed that they do not use any technologies other than standard cookies for OBA purposes.

¹³ Many member companies do not employ "standard" interest segments at all, but rather engage only in practices such as retargeting, search retargeting, and custom segmentation. In such cases, NAI staff recommended as a best practice that the companies add disclosures to their privacy policies providing sample health-related interest segments and noting that they do not target users based on sensitive health-related interests.

¹⁴ The NAI Code requires member companies to provide an opt-out mechanism, together with robust notice, for the use of PII to be merged with non-PII on a going-forward basis (prospective merger). Members are also required to obtain Opt-In Consent for the use of previously collected PII to be merged with non-PII (retrospective merger). As addressed below, no evaluated member companies currently use PII for OBA. As a result, this report addresses the provision and honoring of opt-out choices for the use of non-PII for OBA only.

Automated Testing

As detailed above, in 2012, the NAI increased and formalized its technical monitoring of member companies. This testing runs multiple times per day and sends automated reports to NAI staff. The testing flags potential issues with members' opt-out mechanisms, including the inability to set an opt-out cookie or inadvertent deletion of opt-out cookies. This automated testing confirmed that, on the whole, members' opt-out tools work as intended and with minimal downtime. The automated monitoring did, however, allow the NAI to discover a number of possible issues, nearly every one of which was resolved within 24 hours.

Annual Review of Opt-Out Mechanisms

For those companies evaluated in 2012, NAI staff supplemented its new ongoing automated testing by asking evaluated companies extensive and detailed questions about the functioning of their opt-out mechanisms, requiring them, for example, to list the name, value, domain, and purpose of every cookie they continue to set following an opt out. NAI staff also manually tested the opt out of each evaluated company. Staff reviewed the behavior of the opt-out scripts, the lifespan of the opt-out cookie, names and values of all opt-out cookies and of any potentially unique cookies that were used after an opt out, and the messaging to consumers following successful and unsuccessful opt-out attempts.

The manual testing, in conjunction with members' responses to the compliance review questionnaire, demonstrated that evaluated member companies' opt-out mechanisms appear to function as intended. Each evaluated member company affirmed that its opt-out mechanism prevents the collection and use of data for OBA, and many companies reported that they cease

collecting any data following an opt out. All evaluated member companies set opt-out cookies with a lifespan of at least five-years, as required by NAI policy. All evaluated member companies' opt-outs also appeared to include functioning P3P information, increasing the likelihood of proper functionality across a wide range of browser settings. NAI staff, did, however, identify one instance of a company conducting OBA on a domain that was not included in its opt out.¹⁵ While the affected company promptly addressed this issue, the NAI intends to more strictly enforce its domain reporting requirement and increase its technical monitoring of member companies to crawl additional sites in 2013 to help prevent similar issues from recurring.

During the annual review, NAI staff also conducted manual testing designed to help ensure that evaluated member companies do not continue to collect data for OBA purposes where an opt-out cookie is present. To do this, NAI staff noted any cookies with potentially unique identifiers used following an opt out. In all cases, NAI staff inquired about the use of such cookies, and sought assurance that the cookies were not used for OBA purposes. All evaluated member companies that continue to set cookies with unique identifiers explained that the cookies were used for non-OBA purposes such as analytics, frequency capping, and attribution.

The annual review found no evaluated member company using Sensitive Consumer Data for OBA purposes.

¹⁵ This company began using a new domain for OBA, and promptly updated the opt-out mechanism on its own site to reflect that change. The company failed, however, to report the new domain to the NAI as required by the NAI's new domain registry requirement or to update the opt out available on the NAI website. As soon as NAI staff identified this error, the affected member company promptly updated its opt-out mechanism to cover all domains used for OBA.

NAI testing and member responses to questioning demonstrated that evaluated member companies' opt-out mechanisms work as intended.

Technologies Used for OBA

NAI policy currently prohibits the use of locally stored objects (LSOs) as well as browser cache for OBA and Ad Delivery and Reporting purposes. NAI staff employs various means to check for member companies' adherence to this policy. The NAI's technical monitoring tool provides robust data sets that the staff then uses to look for any LSOs set by member companies, as well as any evidence of a unique identifier in a targeting cookie "respawning" after such cookie is deleted. During the 2012 annual review, NAI staff did additional manual testing to help ensure that LSOs are not used for OBA purposes. NAI staff also asked companies about their use of any technologies other than standard http cookies (including Flash cookies, cache files, e-tags, or history sniffing) for OBA purposes. All evaluated member companies affirmed that they do not use any technology other than standard http cookies for OBA or Ad Delivery and Reporting purposes, and the NAI's testing uncovered no evidence of member companies using alternate technologies for OBA or Ad Delivery and Reporting purposes.¹⁶

Opt-In Consent

Under the NAI Code, member companies are required to obtain Opt-In Consent under two circumstances. The use of "Sensitive Consumer Information,"¹⁷ requires the provision of Opt-In Consent. (§§ III.3(a)(iv), II.8.) The merger of PII with previously collected non-PII for OBA purposes also requires Opt-In Consent. (§ III.3(a)(iii).)

NAI staff found no evaluated member companies using or seeking to use Sensitive Consumer Data as defined by the NAI Code for OBA purposes. The compliance review demonstrated that evaluated member companies have a uniformly high awareness of the sensitivity of this data, and have protections in place to ensure that sensitive data is not used for OBA. Similarly, as detailed below, no evaluated member company was found to merge PII with non-PII for OBA purposes. Accordingly, no NAI member company is currently seeking to obtain Opt-In Consent under the NAI Code. As explained above,¹⁸ some member companies do target users on the basis of general interest in health-related subjects, such as "cold and allergies." Such segments do not require Opt-In Consent under the NAI Code, but do require disclosure under the NAI's new health transparency policy.

¹⁶ The NAI Code and this NAI policy do not currently cover mobile devices or mobile companies. As a result, NAI staff's review and testing was limited to desktop devices.

¹⁷ "Sensitive Consumer Data" is defined to include "Social Security Numbers or other government-issued identifiers, insurance plan and financial account numbers, information that describes the real-time geographic location of an individual, and precise information about past, present, or potential future health or medical conditions or treatments, including genetic, genomic, and family medical history."

¹⁸ See *supra* page 18.

No evaluated member company intentionally collects PII for OBA purposes. Evaluated member companies have implemented contractual measures to help prevent the collection of PII and technical measures to help ensure that inadvertently-received PII is not stored or used for OBA purposes.

Personally Identifiable Information (PII)

The NAI Code is designed to encourage data minimization by incentivizing member companies to not use PII for OBA purposes.¹⁹ The most notable of these incentives is the heightened notice and choice requirements that apply to the use of PII to be merged with non-PII for OBA purposes. As a result of the disincentives imposed by the NAI Code to collect or use PII for OBA purposes, no evaluated member company intentionally collects PII for OBA purposes. NAI members, moreover, set up robust mechanisms to help ensure that they do not collect PII for OBA purposes. Evaluated member companies generally impose contractual restrictions forbidding their data providers from passing PII to them. Because PII can be passed to NAI member companies inadvertently, however, member companies reinforce these contractual requirements through technical controls. Evaluated member companies generally design their systems to ensure that any PII that is

inadvertently collected is immediately discarded and is not stored or used for OBA purposes.

Children

The NAI Code goes beyond the requirements of the existing COPPA Rule to require verifiable parental consent for the use of non-PII, such as unique identifiers stored in cookies, used to create segments targeted at children under 13. (§ III.4(a).)

No evaluated member company was found to create segments specifically targeting children under thirteen, and NAI staff's review accordingly revealed no compliance deficiency with respect to this provision of the Code. Evaluated member companies are aware of the sensitivity of data related to children, and have processes and procedures in place to ensure that segments specifically targeted at children under thirteen are not created or used. The NAI is working to educate its member companies about the requirements of the FTC's new COPPA rules as they apply to the collection and use of non-PII such as cookie identifiers and IP addresses for OBA purpose.

Evaluated NAI Member Companies do not use, or allow use of, data collected for OBA purposes other than for marketing.

¹⁹ The Code also forbids member companies from collecting PII for OBA purposes in the absence of a contractual relationship with the company (§ III.4(c)); provides that if a member changes its own privacy policy with regard to PII and merger with non-PII for OBA purposes, prior notice must be posted on the member's website, and any material change shall only apply to data collected following the change in policy (§ III.4(d)); specifies that if data is collected under a privacy policy that states that data would never be merged with PII, such data may not be later merged with PII in the absence of Opt-In Consent from the consumer (§ III.4(e)); requires members to contractually require any third parties to which they provide PII for OBA or Multi-Site Advertising to adhere to applicable provisions of the NAI Code (§ III.5(a)); and requires members to provide consumers with reasonable access to PII and other information associated with that PII retained by the member for OBA or Multi-Site Advertising purposes (§ III.6(a)).

Marketing Purposes

The NAI Code forbids member companies from using, or allowing the use of, data collected for OBA for purposes such as employment, credit, and insurance eligibility. Specifically, the Code forbids member companies from using, or allowing the use of, OBA segments other than for “Marketing Purposes.” (§ III.4(b).)²⁰ No evaluated member company was found to use, or allow the use of, OBA data for any purposes other than marketing as defined by the NAI Code. Evaluated member companies report having contractual provisions and other processes in place to limit the use of data to marketing-related purposes only. NAI staff’s review revealed no compliance deficiency with respect to the prohibition on using, or allowing the use of, data collected for OBA other than for marketing purposes.

Data Retention, Security, and Transfer Restrictions

In addition to the host of requirements imposed by the NAI Code with the respect to the collection and use of PII for OBA and Ad Delivery and Reporting purposes, the NAI Code imposes requirements designed to ensure that even non-PII is collected and stored appropriately. Specifically, the Code requires that member companies retain data only as long as necessary for a legitimate business purpose (§ III.9), that they secure data appropriately (§ III.8), that they obtain data from reliable sources and that when they transfer data to be merged with PII for OBA purposes, they ensure that the receiving party adhere to applicable provisions of the Code (§§ III.7, III.5(b)).

The 2012 annual review found that evaluated member companies are meeting their obligations to appropriately protect non-PII consistent with the NAI Code. Evaluated member companies report conducting appropriate due diligence on data sources to help ensure that such sources are “reliable.” This due diligence includes reviews of potential partners’ privacy policies and methods by which they obtain any necessary consents. It also includes reviews of potential partners’ business practices, particularly of companies that collect data using new technologies and of companies that are not themselves members of the NAI.

Evaluated member companies also report, and provided sample documentation demonstrating, that they employ contractual measures to prevent companies to which they transfer non-PII for OBA purposes from merging such data with non-PII. Finally, evaluated member companies report retaining data only for so long as necessary to meet a legitimate need (and consistent with their publicly-stated retention periods), and providing reasonable security for such data.

Consumer Communications

NAI members are required to maintain a centralized mechanism linked to the NAI website to receive consumer questions or complaints relating to members’ compliance with the Code. (§ IV.2(a).) NAI members also are required to respond to and make reasonable efforts to resolve questions implicating their compliance with the NAI Code within a reasonable period of time. (§ IV.2(b).) The NAI is required to “produce an annual summary of the nature and number of

²⁰ “Marketing Purposes” is defined in the NAI Code as “any activity undertaken to collect, aggregate, analyze, maintain, update, or sell information in order to tailor content or services that allows or induces consumers to take action to purchase, rent, or exchange products, property or services, to solicit a charitable donation, to utilize market research or market surveys, or to provide verification services to marketers.” (§ II.9)

consumer complaints received, the nature and number of complaints that were escalated to membership and the nature and number of matters referred to the Board, specifying the name of companies, if any, that were sanctioned for failure to remedy compliance defects.”²¹

Consistent with these Code requirements, the NAI website contains a form that allows consumers to submit questions or complaints relating to members’ compliance with the NAI Code. As part of the 2012 annual review, NAI staff ensured that all evaluated member companies also provide mechanisms for consumer complaints or questions on their own websites.

In 2012, the NAI improved its intake and response methods for handling consumer complaints to help ensure that they are addressed in a timely and meaningful manner. The new NAI website discussed above employs form technology that sorts and routes consumer comments, questions, and complaints directly to relevant NAI staff. Using this new technology, NAI staff have reduced the average time required to respond to consumer questions and complaints by 50%.

As in previous years, the NAI processed thousands of consumer inquiries in 2012. Also as in previous years, the vast majority of these communications pertained to issues outside of the scope of the NAI’s mission. Of those that did pertain to the NAI’s mission, most were consumers requesting assistance in opting out. In addition to helping consumers opt out, NAI staff monitors consumer communications to help identify possible technical issues with member companies’ opt outs or with the NAI opt-out page, and any potential compliance issues. In this way, consumer communications supplement the NAI’s own opt-out testing.

In 2012, the NAI received thirty-seven communications raising issues of potential material non-compliance with the NAI Code. NAI staff found, upon further investigation, that twenty-nine of those communications did not raise compliance issues. In the remaining eight cases, NAI staff followed up with the affected member companies. In each case, the affected company promptly addressed the issue. No consumer communications presented complaints of noncompliance with the NAI Code that required formal escalation to individual member companies or to the NAI Board. NAI staff believes that all complaints raised by consumers in 2012 that are conducive to resolution have been resolved.

CONCLUSION

The 2012 annual review demonstrated that evaluated member companies are highly committed to the NAI’s self-regulatory framework. As in prior years, representatives of the vast majority of evaluated members expressed commitment to, and a desire to learn from, the compliance process, and were anxious for further guidance from the NAI on how to best align their business practices with the NAI Code and industry best practices. With very few exceptions, evaluated member companies promptly implemented suggested changes in practice. NAI staff looks forward to continuing to work with member companies in 2013 to further develop best practices for the collection and use of data for OBA and to help member companies bring their practices into alignment with the revised Code of Conduct.

²¹ See NAI Compliance Program Complaint Process, *supra* note 3, at 2.

1634 Eye Street NW, Suite 750
Washington, DC 20006
www.networkadvertising.org

