BSR

Transparency, Purpose, and the Empowered Consumer: A New Paradigm for Advertising

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About this Report

This paper, commissioned and funded by Participant Media, was written by Eva Dienel, associate director of communications, BSR; and Julia Robinson, communications manager, BSR; with input from Dunstan Allison-Hope, managing director, advisory services, BSR.

The report is based on an extensive literature review, a small industry survey conducted by Participant Media (see survey details and results in Appendix 1), and interviews (see a partial list of interview questions in Appendix 2). We will also be submitting the report to peer reviewers prior to publication. Any errors that remain are those of the authors. Please direct comments or questions to Eva Dienel at edienel@bsr.org.

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DISCLAIMER

ABOUT BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

ABOUT PARTICIPANT MEDIA

Participant (ParticipantMedia.com) is a global entertainment company founded in 2004 by Jeff Skoll to focus on feature film, television, publishing, and digital content that inspires social change. Participant's more than 60 films uniquely launch campaigns that bring together government entities, foundations, schools, and others to raise awareness and drive people to take action on issues from each film or television show. Pivot (Pivot.tv), the company's television network, is available in 47 million homes, with a diverse slate of talent and a mix of original series, acquired programming, films, and documentaries. Participant's digital network, TakePart (TakePart.com), is a leading source of socially relevant news, opinion, entertainment, and information about ways to get involved with the issues that shape our lives. Through its films, social action campaigns, digital network, and its television network, Participant seeks to entertain, encourage, and empower every individual to take action.

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Executive Summary

In the past several years, the advertising industry has undergone dramatic changes that have created an array of challenges and opportunities:

» The use of "big data" to target consumers has raised government and consumer concerns about the collection and use of personal information.

» The rise of "native advertising," in which ads appear as content, has triggered questions about whether consumers are being misled.

» Digital advances have given brands direct connections to their consumers, with the power to gain insights and build loyalty.

» New advertising approaches appealing to consumers' core values have given brands an opportunity to engage consumers on a deeper level.

» Advertisers using their creative power to share messages related to social, environmental, and cultural issues have built strong brands and are having a positive influence on the world around us.

In context of these developments, our two organizations—BSR, a global nonprofit business network focused on sustainability, and Participant Media, a global company focused on entertainment that inspires social change—embarked on research to explore how the major trends in advertising intersect with ideas related to corporate social responsibility (CSR).

This paper focuses on one central question: **Can the advertising industry use principles rooted in CSR to engage consumers, build trust, and secure long-term brand loyalty in today's volatile media landscape?**

Our conclusion is that there can be a powerful relationship between corporate responsibility and effective advertising. This paper outlines three opportunities for advertisers to embrace corporate responsibility and secure business benefits by **enhancing transparency, empowering audiences, and taking a purpose-based approach**.

Introduction: A New Framework for Advertising

Today, advertising extends into every medium imaginable. Not only are brands and products promoted every*where*, they are in every*thing*: articles, TV shows, mobile apps, films, taxicabs— even a town.

In September 2014, Bud Light paid US$500,000 to turn the ski town of Crested Butte, Colorado, into what *The New York Times* described as a "living advertisement," with beer-branded everything and unlimited drinks for all invited to the party in the invented town of "Whatever, U.S.A."[1]

This pervasive reach of advertising fuels today's global spend on advertising, which now tops US$505 billion. In the United States, the percentage of growth in ad dollars recently doubled, from 2.2 percent growth in 2013 to 4.4 percent growth in 2014.

While television maintains the largest share of ad spending, at 38.3 percent in 2014, internet ad spending is expected to capture 30.7 percent of the market by 2016 (up from 24.6 percent in 2014).[2] In the United States, digital advertising is growing dramatically, accounting for US$42.6 billion in revenue in 2013, up 16 percent from 2012.[3] In particular, the mobile segment of digital is booming: In 2013, global mobile ad spending increased 105 percent to reach US$17.96 billion, and eMarketer predicted that mobile would rise another 75.1 percent in 2014. That growth is largely driven by Facebook and Google, which, together, accounted for more than two-thirds of mobile ad spending in 2013.[4]

All of these figures point to an overarching trend: Advertising is big, it is ubiquitous, and competition for consumer attention is fierce. Nielsen summarized this issue in its 2014 "State of the Media" report:

> With an average of 38 ads airing every minute across national TV, breaking through the clutter is essential. All the many new ways for us to consume media have only added to the number of messages consumers are bombarded with on a daily, even hourly basis. In addition, consumers' attentions are pulled in different directions thanks to the proliferation of "second screen" devices.[5]

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[1] Turkewitz, Julie. "Town Becomes a Beer Ad but Residents Don't Feel Like a Party." *The New York Times.* September 4, 2014. http://www.nytimes.com/2014/09/05/us/colorado-town-prepares-to-become-beer-ad.html.

[2] "Marketing Fact Pack: Annual Guide to Marketers, Media, and Agencies: 2014 Edition." *Advertising Age.* Crain Communications Inc., 2013. http://gaia.adage.com/images/bin/pdf/MFPweb_spreadsv2.pdf.

[3] Holcomb, Jesse. "A Deeper Look at the Digital Advertising Landscape." Pew Research Journalism Project. http://www.journalism.org/2014/03/26/a-deeper-look-at-the-digital-advertising-landscape/.

[4] "Drive by Facebook and Google, Mobile Ad Market Soars 105 Percent in 2013." eMarketer. March 19, 2014. http://www.emarketer.com/Article/Driven-by-Facebook-Google-Mobile-Ad-Market-Soars-10537-2013/1010690.

[5] "Advertising and Audiences: State of the Media." Nielsen. May 2014. http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2014%20Reports/advertising-and-audiences-report-may%202014.pdf.

To cut through the noise, advertisers are experimenting with innovative approaches to engage consumers: building campaigns to reach people across multiple platforms,[6] creating ads in new formats that look more like entertainment or content than commercials,[7][8] and optimizing data to target consumers with ads that are more relevant to their greatest desires.[9]

Risks and Opportunities in a Competitive Market

Beyond the risk that consumers will simply tune out or block this proliferation of ads, both consumers and regulators have expressed some concerns about these developments, including that ads appearing as content are misleading, and that advertisers' collection and use of personal data may be violating people's privacy.

Some of these changes, however, present the industry with an opportunity to build long-term loyalty by changing the face of advertising. The advertisers that are honest about the messages they are creating and up-front about how they market those messages to consumers stand out from the rest. Likewise, advertisers that listen to consumers and offer opportunities for dialogue can build trust. And advertisers that appeal to consumers' core values are more likely to engage people on a deeper level. Advertisers can even take a leadership role in sustainability progress by influencing consumer behavior on social, environmental, and cultural issues.

Exploring the Role of Corporate Responsibility in Advertising

In 2013, Participant Media, a double-bottom-line company focused on profit and social change, and BSR, a nonprofit business network focused on sustainability, worked together to develop a responsible ad policy and implementation guidelines for Participant Media's digital and television platforms, TakePart.com and Pivot. The policy is based on four principles: transparency, free speech and freedom of choice, responsibility, and progress.[10]

In 2014, noting the dramatic changes in the advertising landscape, as well as the risks and opportunities created by these changes, Participant Media and BSR decided to conduct research looking more broadly at the industry—to explore how the major trends in advertising intersect with ideas related to corporate responsibility.

We focused on one central question: **Can the advertising industry use principles rooted in CSR to engage consumers, build trust and secure long-term brand loyalty in today's volatile media landscape?**

To begin answering this question, we conducted desk research to understand the universe of potential issues related to corporate responsibility in advertising.

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[6] Gomez, Jeff, and Simon Pulman. "In Ridley Scott's 'Prometheus,' the Advertising is Part of the Picture: Not Just a Trailer, 'Transmedia' Video is Being Used to Extend the Movie Itself." *Advertising Age*. March 23, 2012. http://adage.com/article/digitalnext/ridley-scott-s-prometheus-advertising-part-picture/233452/.

[7] Bulik, Beth Snyder. "Going Native: Introduction: Finding Your Brand's Story." *Advertising Age*. July 10, 2013.

[8] "Content Marketing 2014: New Media Platforms Drive Demand for High-Quality Content." *Advertising Age*. http://brandedcontent.adage.com/contentmarketing/.

[9] Couldry, Nick, and Joseph Turow. "Advertising, Big Data, and the Clearance of the Public Realm: Marketers' New Approaches to the Content Subside." *International Journal of Communication* 8 (2014): 1710-1766. http://ijoc.org/index.php/ijoc/article/view/2166/1161.

[10] "Pivot's Responsible Advertising Policy." Pivot TV. Accessed September 12, 2014. http://www.pivot.tv/campaigns/eyes-wide-open/ad_policy.

From this research, we compiled a list of 12 potential risks and opportunities (see full list in Appendix 2). Next, we conducted a literature review, a consumer survey, and a series of interviews with industry leaders and other experts to narrow down our list to the areas of corporate responsibility that are most relevant to advertisers.

A New Framework: Transparency, Audience Empowerment, and Purpose

Through our research, we confirmed there is a relationship between corporate responsibility and the business goals of building trust, engaging consumers, and securing long-term brand loyalty. From our list of 12 corporate responsibility issues, we identified three priority areas for advertisers:

1. **Enhancing transparency:** Transparency is an expected practice in business today. In advertising, transparency is relevant in two ways: In terms of how ads are presented, and in terms of how consumer information is collected and used to create and distribute messages. Transparency allows consumers to judge ads and advertisers on their own merit, and to reward companies that respect the consumer desire for honesty.

   In terms of corporate responsibility, advancing transparency on the issues described here supports truth and accuracy, as well as the right to privacy.

2. **Audience Empowerment:** With the advent of social media and user-generated content, consumers today wield significant power. The most effective advertisers understand that messaging is not a broadcast but a conversation, where consumers have a choice over ads and have the opportunity to provide feedback on messages.

   When it comes to corporate responsibility, enhancing audience empowerment supports the values of freedom of expression and freedom of choice.

3. **Purpose:** As brands compete for attention, consumers are becoming more wary of "the sell." The smart advertisers are appealing to consumers based on core values, focusing on a deeper purpose to connect with their audience. These leading advertisers have found that stories with positive social, cultural, and environmental messages resonate with a growing number of consumers.

   By embracing purpose, advertisers also can promote an emerging area of corporate responsibility: sustainable lifestyles. Advertisers have the power to raise awareness and inspire consumers to make more sustainable choices and adopt more sustainable behaviors.

We believe that by identifying ways to enhance transparency, audience empowerment, and purpose, advertisers will secure business benefits like trust and loyalty, while advancing important values related to corporate responsibility, including truth and accuracy, privacy, freedom of expression and freedom of choice, and sustainable lifestyles.

Transparency

The premise of transparency is that by shedding light on the process, motivations, or inner workings of a transaction, the ensuing public debate can foster positive change. In this respect, the advertising industry does not have a strong history of transparency: Messages are hidden, personal information is collected and used for targeting, photos are doctored, and sometimes facts are, too.

At the same time, we live in an "age of transparency," when companies are expected to report on their performance—good and bad—and when consumers can use any number of platforms to praise or pan products and brands.

"Advertising is no longer a one-way communication path," said Doug Scott, executive vice president of marketing and brand solutions at the William Morris Endeavor Entertainment agency. "Individuals are able to engage with brands through their own social media channels."

For the advertising industry, the importance of transparency has surfaced relating to two recent debates: native advertising (i.e. the creation of advertising that mimics pure content or entertainment) and big data (i.e. the use of data to narrowly target consumers with information or messages that are most likely to appeal to them).

Native Advertising: Promise or Peril?

On a Sunday evening in August 2014, the comedian John Oliver used his seat behind a shiny desk in his HBO studio to take a whack at native advertising. His critique, which went on for 11 minutes, can be boiled down to one comment: "Ads are baked into content like chocolate chips into a cookie, except it's actually more like raisins into a cookie because no one f***ing wants them there."[11]

The resulting media storm surrounding Oliver's rant highlighted one of the advertising industry's biggest debates about transparency: Is native advertising misleading or engaging consumers?

As the market for print ads has declined,[12] and traditional digital banner ads and television spots have fallen out of favor, native advertising (also known as branded entertainment, content marketing, sponsored content, or branded content) has taken off. According to a 2013 *Advertising Age* report, the branded-entertainment industry is now worth between US$26 and US$44 billion.[13] Another *Advertising Age* study reported that 93 percent of business-to-business marketers and 90 percent of business-to-consumer marketers now use content

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[11] Oliver, John. "Last Week Tonight with John Oliver: Native Advertising." HBO. August 3, 2014. https://www.youtube.com/watch?v=E_F5GxCwizc.
[12] Holcomb, Jesse. "A Deeper Look at the Digital Advertising Landscape."
[13] Bulik, Beth Snyder. "Going Native: Introduction: Finding Your Brand's Story."

marketing. A survey cited in the same report revealed that 57 percent of marketers plan to increase their content marketing budgets in the next year.[14]

At the same time, an increasing number of media platforms are offering native advertising opportunities. According to a 2013 survey conducted by the Online Publishers Association (OPA), 73 percent of OPA members currently offer native advertising opportunities, and 17 percent are considering offering such opportunities in the next year.[15] Several companies have established in-house agencies to produce the material: In 2014, the viral-content-producing website BuzzFeed, which draws 175 million average monthly viewers, was valued at US$850 million. This valuation was based not only on the company's ability to create content consumers crave—but on the fact that the company offers this same content service to advertisers through its in-house creative services team.[16] In an interview with Bloomberg TV, BuzzFeed Founder and CEO Jonah Peretti said 100 percent of the company's revenue comes from branded content and partnerships.[17]

In the past year, a number of major media brands have made news with their experiments in native advertising, including *The Atlantic*, *The Guardian*, *The New York Times*, *The New Yorker*, *Time*, Vice.com, *The Wall Street Journal*, Yahoo!, and others. When *The New York Times* rolled out its plan for native ads, the publisher, Arthur Sulzberger Jr., anticipated the controversy and wrote a letter to *Times'* employees emphasizing the need for the strategy to "restore digital advertising revenue growth." He assured staff that there would be "strict separation between the newsroom and the job of creating content for the new native ads."[18] Indeed, reported *Advertising Age* in a click-worthy headline, "*The New York Times* is going to label the hell out of its native ads."[19]

Other media companies have been less strict about maintaining the separation between "church" and "state." *The Guardian*, which announced its strategy for native advertising in February 2014, formed a seven-figure partnership with Unilever to create content on sustainability issues. But unlike at *The Times*, *Guardian* journalists—as well as its multimedia, digital, and marketing teams—will be involved in creating content.[20] Readers also will be able to participate in content creation by sharing their own comments and videos. "It's about creating a dialogue," Guardian News Media Deputy CEO David Pemsel told *Adweek*. "Those metrics are more authentic other than the fact you looked at an ad."[21]

[14] "Content Marketing 2014." *Advertising Age*.

[15] "Premium Content Brands are Native Naturals." Online Publishers Association and Radar Research. June 2013. http://onlinepubs.ehclients.com/images/pdf/OPA_Member_Native_Advertising_Public_MASTER.pdf .

[16] Isaac, Mike. "50 Million New Reasons BuzzFeed Wants to Take Its Content Far Beyond Lists." *The New York Times*. August 10, 2014. http://www.nytimes.com/2014/08/11/technology/a-move-to-go-beyond-lists-for-content-at-buzzfeed.html?_r=0.

[17] Ruhle, Stephanie. "BuzzFeed CEO: How We Find Viral Content." Bloomberg TV. June 20, 2014. http://www.bloomberg.com/video/buzzfeed-ceo-how-we-find-viral-content-mvFX2w24RRqmG9RCxQFlhw.html.

[18] Somaiya, Ravi. "Times Publisher Sets Out Plan for 'Native' Ads." *The New York Times*. December 19, 2013. http://www.nytimes.com/2013/12/20/business/media/publishers-letter-explains-limits-on-branded-content-at-the-times.html?_r=0.

[19] Sebastian, Michael. "The New York Times is Going to Label the Hell out of its Native Ads." *Advertising Age*. December 19, 2013. http://adage.com/article/media/york-times-label-hell-native-ads/245787/.

[20] "Guardian Labs Officially Launches with Unilever Sustainable Living Partnership." Guardian News and Media Limited press office. February 13, 2014. http://www.theguardian.com/gnm-press-office/guardian-launches-guardian-labs-with-unilever-partnership.

[21] Moses, Lucia. "The Guardian's Unusual Take on Native Ads." *Adweek*. February 13, 2014. http://www.adweek.com/news/press/guardians-unusual-take-native-ads-155715.

Given the different approaches to native advertising—and the lack of regulation for how native advertising is labeled—some companies have run afoul of consumer trust. Readers of the *The Atlantic*, which published a sponsored post by the Church of Scientology, were taken aback by the media company's decision to provide a forum for an organization that contradicted its usual ethos. This misstep was exacerbated when the company censored some of the negative comments readers posted on the site. In response, the company issued a mea culpa from *The Atlantic* President Scott Havens and instituted a new policy on native advertising.[22] Several other media companies have followed suit in publishing policies on how they will treat native ads.

Transparent labeling, clear ad policies, and swift company responses to user feedback about native ads have been important elements in ensuring that media firms and publishers retain audience trust. In a survey by The Participant Index (TPI) Impact Panel and Nielsen conducted on behalf of BSR, 91 percent of respondents said it was important to them that there is clear differentiation between content and advertising.[23]

"With transparency in particular, when we think about native advertising, we have to look at every facet of it—slugging, labeling, what words we use, where we put them, where on the site the content lives," said Jordan Hyman, who served as custom content sales manager at Bloomberg for four years before leaving in the fall of 2014 to assume a post as executive director, custom content sales, at *The Wall Street Journal*. Initially, Bloomberg's native advertising strategy included tweets from the @BloombergNews handle. But when some editors and users complained, the company stopped this practice. "That's our transparency metric," Hyman explained. "We err on the side of transparency or what our users want."

Because of the ambiguity about acceptable approaches to native advertising, several publishers have called for guidance. In December 2013, the Interactive Advertising Bureau (IAB) responded to these demands by issuing a "native advertising playbook" to establish common language, evaluation mechanisms, and disclosure principles.[24]

This step came at the same time the U.S. Federal Trade Commission (FTC) held a workshop on native advertising to explore whether regulations are needed. The workshop gathered stakeholders from across the industry, but, according to *Adweek*, "the only consensus among the panelists and speakers was that transparency and disclosure are important."[25] Part of the challenge in creating guidelines is the spectrum of different approaches to native advertising, which can take the form of content, videos, games, research, and even events.

Laura Sullivan, a staff attorney in the FTC's advertising practices division of its Bureau of Consumer Protection, organized the workshop and noted that this

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[22] Moses, Lucia. "After Scientology Debacle, The Atlantic Tightens Native Ad Guidelines." *Adweek.* January 30, 2013. http://www.adweek.com/news/advertising-branding/after-scientology-debacle-atlantic-tightens-native-ad-guidelines-146890.

[23] "Ad Transparency Poll and Discussion." The Participant Index (TPI) Impact Panel and Nielsen on behalf of BSR. September 5, 2014.

[24] "IAB Native Advertising Playbook." Interactive Advertising Bureau. December 4, 2013. http://www.iab.net/about_the_iab/recent_press_releases/press_release_archive/press_release/pr-120413.

[25] Bachman, Katy. "Native Ad Workshop Leaves FTC Perplexed." *Adweek.* December 4, 2013. http://www.adweek.com/news/advertising-branding/native-ad-workshop-leaves-ftc-perplexed-154303.

challenge becomes even more difficult to address when content is shared and changed as it moves through social media platforms. "The way consumers receive advertising and promotional messages is more fragmented and can be camouflaged," she said. "Regardless of the context in which consumers encounter it, advertisers should ask whether consumers could be misled into believing that such information comes from an independent source." To help address this, the FTC plans to provide guidance on native advertising in 2015.

Despite the challenges companies face navigating native advertising, there are many signs that the approach appeals to consumers. A 2013 Nielsen report found that trust in advertising on branded websites increased 9 percentage points, to 69 percent in 2013, and now ranks as the second-most trusted advertising format.[26] The Quartz Insights Global Executives Survey of 940 business leaders in 61 countries revealed that 86 percent of executives are interested in branded content, and consumers are more than twice as likely to remember this kind of content compared with banner ads.[27]

According to the IAB and Edelman Berland's consumer study of 5,000 business and entertainment news consumers, 60 percent of consumers are more open to online ads that tell a story than ones that simply sell a product. The study, which noted that consumers are highly receptive to in-feed sponsored content if it is relevant, authoritative, and trustworthy, provided specific guidance to brands and publishers:

- » **Brands:** Match editorial style and quality; share expertise, don't sell.
- » **Publishers:** Decline advertisers that don't fit, help advertisers adopt an editorial mindset, and err on the side of transparency.[28]

Even as the debates about native advertising practices continue, some companies are being applauded for their experiments with the format. In September 2013, the restaurant chain Chipotle launched a short film featuring the journey of "Scarecrow," a dystopian hero who fights factory farming to "bring real food back to the people."[29] With an environmental message, animation by Academy Award-winning Moonbot Studios, and a soundtrack sung by Grammy-winning artist Fiona Apple, Chipotle's video stands out as an example of how effective content marketing can be: In 2014, the film won a Cyber/PR Grand Prix award at Cannes.[30]

Although *The New York Times* referred to Chipotle's video series as a "stealth marketing strategy,"[31] Mark Crumpacker, the company's chief marketing and development officer, said he does not share this concern about blurring the lines between editorial and advertising. "If you're an advertiser or a brand, and you're trying to mislead people by tricking them into believing your ad is content, that's

[26] "Under the Influence: Consumer Trust in Advertising." Nielsen. September 17, 2013. http://www.nielsen.com/us/en/insights/news/2013/under-the-influence-consumer-trust-in-advertising.html.

[27] "Quartz Insights Global Executives Study." Quartz. March 2014. http://insights.qz.com/ges/#.

[28] "Getting In-Feed Sponsored Content Right: The Consumer View." Edelman Berland and IAB. July 2014. http://www.iab.net/consumerview.

[29] "The Scarecrow." Chipotle. http://www.scarecrowgame.com/film.html.

[30] Diaz, Ann-Christine. "Cannes Lions Recap: See All the 2014 Grand Prix Winners." *Advertising Age*. June 23, 2014. http://adage.com/article/special-report-cannes-lions/cannes-lions-recap-2014-grand-prix-winners/293847/.

[31] Cohen, Noam. "Chipotle Blurs Lines with a Satirical Series about Industrial Farming." *The New York Times*. January 27, 2014. http://www.nytimes.com/2014/01/27/business/media/chipotle-blurs-lines-with-a-satirical-series-about-industrial-farming.html?smid=tw-nytmedia&seid=auto&_r=0.

not going to go very well for you," he said. "If you try to trick consumers, they are going to call you on it."

The bottom line: Native advertising represents a growth opportunity for the industry, but transparent labeling and policies by brands and media companies are important in retaining consumer trust. It's also important for brands and media companies to be flexible to ensure that the format works for the medium, and to ensure that they are responsive when consumers express concerns. In terms of corporate responsibility, an approach to native advertising that embraces transparency also supports truth and accuracy, and can help consumers make more informed decisions.

Big Data vs. Smart Data

In a 2014 article about big data, media, and marketing in the *International Journal of Communications*, Nick Couldry, of the London School of Economics, and Joseph Turow, of the University of Pennsylvania, introduced the concept of "deep personalization"—the use of big data to determine what kind of information or marketing messages should be delivered to consumers.

The authors pointed out that marketers' use of data to target a desirable audience is not new: Even in the 19th century, "the nascent ad agency business bought, analyzed, and evaluated lists of individuals who might be influenced by particular direct-mail solicitations to determine whether and how the postal service was a good ad medium."

Today, however, data collection is powered by technology capable of tracking consumers' digital and real-life activities such that it is "possible to buy the right to deliver an ad with a message tailored to a person with a specific profile at the precise moment that that person loads a web page." [32]

The debate about big data and privacy is not limited to ivory towers, nor is the issue limited to the global media debate about government surveillance. When it comes to business and big data, most people who sign a "terms and conditions" page when joining a social media, news, or frequent-shoppers' network have at least a tacit understanding that they are offering their personal information in exchange for a "free" service. Surveys reveal, however, that consumers are concerned about sacrificing their right to privacy in these exchanges: 91 percent of those who participated in the TPI survey said the collection, storage, and security of consumer information data is an important issue.[33]

Recent articles and research outline how sophisticated data collection and use in advertising has become.

In an interview with the *MIT Sloan Management Review*, Blake Chandlee, Facebook's vice president of global partnerships, described how his company is able to overlay three different sets of data—primary data from Facebook users; primary data about these same people from brand partners; and third-party data from companies like Axiom, Benelogic, Datalogix, Epsilon, Experian, and others that collect data from frequent-shopper programs—to create incredibly detailed profiles of consumers. "The key is having live data," Chandlee is quoted as saying. "Because we have people's real names and an email and, typically, a

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[32] Couldry and Turow. "Advertising, Big Data, and the Clearance of the Public Realm: Marketers' New Approaches to the Content Subside."
[33] TPI survey, 2014.

phone number, our match rates against databases are in the 80 to 90 percent range." [34]

Facebook is becoming more alluring to advertisers because this detailed data is available at scale: 1.2 billion people now use Facebook, and 60 percent of them access the site every day, giving Facebook access to a wealth of information about large numbers of consumers.[35]

The commercial use of big data is so common that, in 2014, The White House commissioned a 58-page report on big data and privacy. That paper describes numerous examples of how data is collected in real life (from consumers' mobile phones as they walk through stores, for instance), online, and even from consumer products at home. The report describes a future scenario in which an individual's "smart" home refrigerator might be able to read which brands a consumer frequently buys and that information might be sold to an advertiser. According to the White House report, the risk with data is that, often, more data is collected than is necessary for the function:

> These collections of data are benign, in the sense that they are necessary for products and services that consumers will knowingly demand. Their challenges to privacy arise both from the fact that their analog sensors necessarily collect more information than is minimally necessary for their function, and also because their data practically cry out for secondary uses ranging from innovative new products to marketing bonanzas to criminal exploits.[36]

As noted above, companies have access to this information because consumers agree to share it when they sign terms and conditions or notice and consent screens for services and applications. In addition to consumer privacy policies, many media and social network platforms also have extensive policies for advertisers on their site. Rob Haralson, executive director of TrustinAds.org—an industry group formed in May 2014 by AOL, Google, Facebook, Twitter, and Yahoo to educate the public and policymakers about deceptive advertising practices[37]—noted that the companies in TrustinAds each have advertising policies that govern the kinds of ads the companies take, how user information can be used, and more.[38]

When it comes the collection and use of data in advertising, our interviews revealed two schools of thought: Those who believe data can help give consumers advertising that is relevant to them, which supports a positive user experience, and those who believe data-driven advertising erodes the right to privacy.

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[34] Kane, Gerald C. "How Facebook is Delivering Personalization on a Whole New Scale." *MIT Sloan Management Review*. August 5, 2014. http://sloanreview.mit.edu/article/how-facebook-is-delivering-personalization-on-a-whole-new-scale/?social_token=4ad2b74a55c01721c237ae1f88542a58&utm_source=twitter&utm_medium=social&utm_campaign=sm-direct.

[35] Kane, Gerald C. "How Facebook is Delivering Personalization."

[36] "Big Data and Privacy: A Technological Perspective." Executive Office of the President, President's Council of Advisors on Science and Technology. May 2014. http://www.whitehouse.gov/sites/default/files/microsites/ostp/PCAST/pcast_big_data_and_privacy_-_may_2014.pdf.

[37] "About TrustinAds.org." TrustinAds.org. 2014. http://trustinads.org/about-us/.

[38] TrustinAds.org member ad policies: Google (https://support.google.com/adwordspolicy/answer/1316548?hl=en), Facebook (https://www.facebook.com/ad_guidelines.php), Yahoo! (https://advertising.yahoo.com/ad-policies/index.htm), Twitter (https://support.twitter.com/articles/20169693-twitter-ads-policies), and AOL (http://advertising.aol.com/advertising-policies).

Often, campaigns based on data work well. As profiled in *The New York Times*, a campaign on Facebook to market the nutritional supplement krill oil was very successful: Three times as many people engaged with the ads in the Facebook campaign as in the company's previous ads, and the campaign generated twice as much revenue as the company spent on the ads.[39]

This raises an important question: If consumers willingly give away their private information in exchange for a service, and they are engaging with the advertisements tailored especially for them, is this application of big data harmful? The FTC's Laura Sullivan argues that some consumers may feel uncomfortable with the privacy implications of being tracked across web and social media, or they may not be aware that it is happening. "That is why advertisers are encouraged to be transparent about their data collection and use practices, and to offer choices for practices that they think would be a surprise to consumers, in light of the context of consumers' relationship with them," Sullivan said.

The White House report on big data also emphasizes the importance of transparency in its Consumer Privacy Bill of Rights, which serves as a guide for commercial use of personal data in a way that respects American privacy values. "Consumers have a right to easily understandable and accessible information about privacy and security practices,"[40] the report reads.

The bottom line: Data collection and use by advertisers is growing as quickly as the field of digital advertising, which is set to capture more than a third of global ad spending by 2016. The debate about the commercial use of big data is split: Some believe big data presents privacy concerns, and others believe that big data, used smartly, can enhance the consumer experience with advertising. The bridge between these two is transparency: By providing clear, accessible information and frequent updates about how data is collected and used, advertisers and brands, internet and media platforms, and third-party data collectors are more likely to win the favor of consumers and regulators.

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[39] Goel, Vindu. "How Facebook Sold You Krill Oil." *The New York Times*. August 12, 2014.
http://www.nytimes.com/2014/08/03/technology/how-facebook-sold-you-krill-oil.html.

[40] "Big Data and Privacy: A Technological Perspective." Executive Office of the President, President's Council of Advisors on Science and Technology.

Audience Empowerment

When the modern age of advertising began, consumers did not get to choose which ads they watched or when, and they had no practical means to publicly comment on the messages. At that time, the main approach to advertising was to appeal to the widest possible audience.

Although advertising has never been as pervasive as it is today, it also has never been easier to skip, opt out, or switch a tab, channel, or viewing platform. The rise of digital has fragmented how consumers view media, disrupting traditional mass-audience advertising approaches like the tried-and-true 30-second spot.

According to Nielsen, 81 percent of homes in the United States have a computer with an internet connection, 72 percent have a smartphone, 49 percent have a DVR, and 39 percent have a tablet. Although TV is still king—with sets reported to be in 96 percent of homes—consumption of media on digital platforms is growing year-on-year.[41]

To address the fragmentation and split focus of audiences, advertisers are developing new ways to engage consumers, by creating integrated campaigns across platforms and engaging with consumers by offering them a more interactive experience. While eMarketer found that only 10 to 20 percent of digital video ads have an interactive component such as ad selection, social sharing buttons, or overlay graphics or features that reveal additional content when a user clicks or rolls over the video, the share of these types of videos doubled between 2012 and 2013.[42]

As illustrated by the eMarketer research, smart advertisers have shifted from a broadcast-based, one-way communication style to a dialogue that takes into account the preferences, opinions, and experiences of consumers.

In other words, smart advertisers are now focused on how to empower consumers—by offering mechanisms for choice, feedback, and participation, and by enhancing the user experience through smart, targeted messaging. This approach is consistent with corporate responsibility principles like freedom of choice and freedom of expression.

Choose-Your-Own Advertising

Consumers today expect freedom of choice. As a Unilever report on the future of media pointed out, "People watch, listen, and interact with what they want, when

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[41] "Shifts in Viewing: The Cross-Platform Report, Q2 2014." Nielsen, September 8, 2014. http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2014%20Reports/q2-2014-cross-platform-report-shifts-in-viewing.pdf.

[42] "Interactive Video Ads Create Two-Way Communication." eMarketer blog, September 3, 2014. http://www.emarketer.com/Article/Interactive-Video-Ads-Create-Two-Way-Communication/1010180.

they want, and where they want…One size does not fit all."[43] However, Cassandra Tryon, managing partner and strategic planning director for Maxus, noted that many advertising formats still rely on the more generic "spray and pray" approach to reach a mass audience.[44]

In many of our interviews, industry leaders cited the efficacy of ad-selection platforms, which allow consumers to choose among a suite of advertisements, based on interest and relevance. In the TPI consumer survey, 94 percent of respondents said the ability to opt out of advertising or select which ads to view was important to them.[45]

Hulu's Ad Selector was a pioneer in the space. When the digital video service launched in 2008, Hulu included a platform for viewers to select from one of three ads or from a single brand or selection of brands.[46] Now the service offers real-time feedback options on the relevance of ads, the option for consumers to swap out one ad for a more appealing one, and surveys in subscriber profiles to gauge interest in particular messages.[47]

In a similar vein, YouTube's TrueView platform allows users to skip ads they do not want to see,[48] and AdChoices, an industry-led platform, allows consumers to opt out of participating interest-based advertising.[49]

Apart from pleasing consumers and supporting freedom of choice, offering options supports business goals by helping advertisers reach consumers who are more likely to be interested in their messages. According to a 2010 case study on interactive advertising, consumers preferred the ad-selection model to other types of interactive and customizable advertising experiences. And, significantly, these consumers were more able to recall a particular ad, and indicated a positive impression of the brand and product.[50]

The Edelman Berland/IAB study of consumers and advertising supports the finding that consumer engagement increases with ad relevance. For native advertising in particular, 77 percent found it more enjoyable when it was relevant to the reader. One respondent said, "I'd rather them know what I'm in the market to buy and give me some information or an ad relevant to what I'm looking for, or what I might be looking for next week."[51]

BBMG Managing Director Joseph Ingram noted that by providing choice, advertisers also signal that viewers are a part of the process. He referred to this as "choose-your-own adventure advertising," spurring a "participatory moment, which creates value for both viewers and advertisers."[52]

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[43] "Media 2015: The Future of Media." ESPN, Mindshare, and Unilever. 2010. http://www.unileverusa.com/Images/FOM_Final_09_tcm23-206938.pdf.

[44] Tryon, Cassandra (Managing Partner, Strategic Planning Director, Maxus), interview with Julia Robinson, 2014.

[45] TPI survey, 2014.

[46] Colaco, J.P. "The Power of Choice in Advertising." Hulu Blog, October 3, 2011. http://blog.hulu.com/2011/10/03/the-power-of-choice-in-advertising/.

[47] "Hulu Advertising." Hulu. 2014. http://www.hulu.com/advertising/.

[48] "Why It Works." YouTube. 2014. http://www.youtube.com/yt/advertise/why-it-works.html.

[49] AdChoices. 2014. http://www.youradchoices.com/

[50] Katz, Helen. "The Pool Lane One: Making a Splash with Online Video." *Journal of Interactive Advertising,* Spring, 2010. Vol. 10, No. 2. http://jiad.org/article134.html.

[51] Edelman Berland and IAB, 2014.

[52] Ingram, Joseph (Managing Director, BBMG), interview with Julia Robinson, 2014.

The bottom line: Freedom of choice is an enduring consumer value, and, as part of an increasing culture of customization this applies to advertising, too. Research shows that giving consumers the ability to select which ads they view leads to increased message retention and brand perception, more targeted spend of ad dollars, and, most importantly, a feeling by consumers that they are participating in the experience.

Feedback Mechanisms: Let Them Talk Back

On the thirteenth anniversary of the September 11, 2001, attacks on the World Trade Center in New York, Mike Monteiro's Twitter timeline was filled with posts mocking the many brands that sent "condolence tweets" that capitalized on a serious social conversation. One of the brands that did this was the firearm manufacturer Beretta, which posted a photo of rescuers erecting a flag amid the 9/11 rubble. Beretta included a short message, "For every victim. For every hero. For every person who was lost but never forgotten. Beretta Nation is United."

In response, Monteiro wrote: "9/11 wouldn't have happened if every airline passenger was armed, right, @Beretta_USA? Got any discount codes? #neverforget #neverreload."

Monteiro is a prominent figure in the design world with nearly 50,000 Twitter followers. In 2014, he generated so much attention to brands' 9/11 messaging that *Adweek* ran an article about it, and several brands wrote to him to apologize.[53]

Monteiro's story is just one example of how consumers are using digital and social media platforms to share their feedback on the quality of ads, messages, and products. As Mark Crumpacker, Chipotle's chief marketing officer, noted, in the absence of corporate mechanisms soliciting feedback, consumers "are going to give it to you anyway."[54]

To engage in this feedback, many advertisers are offering real-time mechanisms for consumers to channel their views, an approach that has the business benefit of responding to a consumer demand, while supporting the value of freedom of expression.

On Facebook, for instance, while users can't opt out of ads entirely, users can indicate that they do not want to see a specific ad or any ads from a particular brand. If they opt-out of certain ads, users can provide feedback about their decision, including whether they felt the ad was not relevant, whether the ad contributed to oversaturation, whether it was offensive, or whether it might be spam. A follow-up question further fine-tunes the feedback, such as whether the irrelevance relates to the topic, advertiser, or audience profile.[55]

These types of feedback mechanisms can help users customize their ad experiences, much as an ad-selection platform would. In the TPI consumer survey, 82 percent of respondents said that the opportunity to "offer feedback

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[53] Monllos, Kristina. "This Guy's Replies to 9/11 Brand Tweets Sum Up Everything That's Wrong With 9/11 Brand Tweets." *Adweek.* September 11, 2014. http://www.adweek.com/adfreak/guys-replies-911-brand-tweets-sum-everything-thats-wrong-911-brand-tweets-160060.

[54] Crumpacker, Mark (Chief Marketing Officer, Chipotle), interview with Eva Dienel, August 2014.

[55] Based on author experience with Facebook platform.

and engage in a dialogue about advertising practices and messages" was important to them.[56]

There is another benefit to allowing for—and publishing—consumer feedback on ads or products. Some consumers, especially Millennials, are more likely to put stock in the opinions of others who have purchased or otherwise interacted with a product. According to a 2012 study of more than 1,000 people, 84 percent of Millennials said user-generated content influenced their purchasing decisions. Furthermore, 64 percent of Millennials said they want companies to increase the ways in which consumers can offer opinions and feedback.[57]

Some companies have taken consumer feedback a step further by actively seeking user-generated content to help tell their stories. The outdoor clothing company Patagonia took this approach with its "Worn Wear" blog, which solicits stories from customers about their old and handed-down Patagonia clothes. The company published dozens of stories, photos, and videos that look like they were ripped from the pages of *Outside* magazine. Due in part to this strategy, Rick Ridgeway, Patagonia's vice president, environmental initiatives, said the company has a paid media budget of a fraction of one percent.[58]

There is a risk to user-generated content, however, if consumers' content is censored or if they are not consulted about how their content is used. As detailed in the previous section's example of *The Atlantic*'s Church of Scientology native ad, consumers were vocal when their negative comments were deleted. And in 2013, Facebook settled a class-action lawsuit related to the company's practice of turning users' likes and comments about brand pages into endorsements, which were then sent to the users' friends.[59] Furthermore, the FTC's Sullivan noted that some advertisers are offering consumers financial incentives or free products to create user-generated content that endorses products. "If this happens to be the case and is not identifiable as an ad, then such an ad is misleading, unless that material connection to the brand is disclosed," Sullivan said. Sullivan pointed to the FTC's updated endorsement guidelines, which help brands understand their responsibility to make clear when they have paid others to promote their products.[60]

The bottom line: The digital age has given consumers a megaphone for feedback, whether positive or negative. Advertisers that embrace this reality and emphasize their commitment to the values of citizenship and freedom of choice and expression by offering consumers the opportunity to provide feedback and engage in a dialogue will find that consumers are more engaged, and, ultimately, that campaigns are more effective.

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[56] TPI survey, 2014.
[57] "Talking to Strangers: Millennials Trust People over Brands." Bazaarvoice and the Center for Generational Kinetics. 2012. http://resources.bazaarvoice.com/rs/bazaarvoice/images/201202_Millennials_whitepaper.pdf.
[58] Ridgeway, Rick (Vice President, Environmental Initiatives, Patagonia), interview with Eva Dienel, August 2013.
[59] Roberts, Jeff John. "Facebook Pays $15 per User after Judge Approves Final $20M Ad Settlement." Gigaom. August 26, 2013. https://gigaom.com/2013/08/26/facebook-will-pay-15-per-user-after-judge-approves-final-20m-ad-settlement/.
[60] "Endorsements." Bureau of Consumer Protection Business Center. FTC. Web page accessed December 9, 2014. http://business.ftc.gov/advertising-and-marketing/endorsements.

Purpose

While walking down a street in New York's SoHo neighborhood on May 11, 2014, Michael Rudoy noticed something jarring in the window of a La Perla lingerie store: a bikini-clad mannequin with protruding ribs.

He tweeted the photo to Seth Matlins, a Los Angeles-based consumer advocate who has proposed U.S. legislation to label images that have been doctored to make people look slimmer than they are in real life. Matlins retweeted the image with the hashtag #NotBuyingIt, a popular tag for critics of advertising,[61] and after his post went viral, La Perla removed the offending mannequin from its stores nationwide.[62]

This story represents a bigger trend that several of the experts we interviewed noted: Today's consumers, wary of "the sell," are more likely to roll their eyes at what they see as "glitz and glamor" advertising, as one TPI survey respondent put it.[63] By contrast, advertisers are finding that when they create campaigns with a purpose (i.e. messages that appeal to consumers' core values and demonstrate brand authenticity) and when they use these campaigns to build communities of belonging, they are more likely to engage consumers on a deeper level and build long-term loyalty. At the same time, these advertisers are championing an emerging area of corporate responsibility: sustainable lifestyles, through which brands help consumers make more sustainable choices and adopt more sustainable behaviors.

Embracing Purpose, Avoiding Greenwash

Demographic studies, many of our interviewees' collective thoughts, and the success of some pro-social ad campaigns like Chipotle's "Scarecrow" demonstrate that more consumers are expressing a desire for brands and products with a purpose.

A 2013 Cone Communications/Echo Research study of more than 10,000 respondents in 10 countries found that 91 percent of citizens are eager to hear about a company's corporate social responsibility initiatives and progress.[64] According to Nielsen, more than half of consumers worldwide are willing to pay more for products and services from companies with pro-social and environmental commitments. This trend increased by 10 percentage points from a similar study in 2011.[65] Additionally, in the TPI survey, 73 percent of

[61] O'Neil, Lauren. 2014. "Lingerie Store La Perla Pulls Mannequin with Protruding Ribs amidst Twitter Outcry." CBC News, May 15. http://www.cbc.ca/newsblogs/yourcommunity/2014/05/lingerie-store-la-perla-pulls-mannequin-with-protruding-ribs-amidst-twitter-outcry.html.

[62] Matlins, Seth (Founder, Feel More Better), interview with Julia Robinson, July 2014.

[63] TPI survey, 2014.

[64] "2013 Cone Communications/Echo Global CSR Study." Cone Communications and Echo Research, 2013. http://www.conecomm.com/stuff/contentmgr/files/0/fdf8ac4a95f78de426c2cb117656b846/files/2013_cone_communicationsecho_global_csr_study.pdf.

[65] "Doing Well by Doing Good." Nielsen, June 17, 2014. http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2014%20Reports/global-corporate-social-responsibility-report-june-2014.pdf.

respondents said the "creation and promotion of pro-social and pro-environmental lifestyles in ads and in the companies that run them" was important.[66]

To meet this growing desire, advertisers that create ads that speak to environmental and social sustainability, cultural diversity, and community-building can resonate deeply with an audience that hungers for story-driven, human-centered content.

Unilever, a company well known as a leader in corporate social and environmental sustainability,[67] has made purposeful marketing part of its companywide strategy. Two years ago, the company began integrating its Sustainable Living Plan into its brand positioning, according to Marc Mathieu, Unilever's global senior vice president of marketing. "We reframed the whole marketing agenda in terms of really understanding people deeply as human beings, not just as consumers," he said. "[We want to understand people's] needs, wants, and challenges."

To Mathieu, marketing and sustainability are two sides of the same coin because people are central to both ends. Unilever's Chief Marketing Officer Keith Weed elaborated on this in an interview with *Harvard Business Review*, when he said, "Sustainable growth is consumer-demand-led growth, and that's the day job of marketers."[68]

Unilever's integration of sustainability into brand positioning is evident in its "Real Beauty" campaign for Dove, which the company launched in 2004 to start "a global conversation about the need for a wider definition of beauty."[69] The campaign, which challenged cultural standards for female beauty by featuring regular women rather than professional models, touched a nerve. While it generated both positive and negative feedback, this is to be expected when companies talk about issues that tap into consumers' core values.

The challenge for marketers building purpose-led campaigns is to ensure these campaigns are relevant to a brand's core DNA, and that the message is authentic. WME Entertainment's Doug Scott said the key is matching messaging to a company's identity. "A brand can be viewed as inauthentic and adopting a cause that is not credible for them, and looking like they are, in essence, brand-washing,"[70] he said. Indeed, the Cone Communications/Echo Research study found that 88 percent of people surveyed believe companies share positive information about their CSR efforts but withhold negative information. For this kind of communication to resonate, the study authors write, "messages must be honest and clear."[71]

[66] TPI survey, 2014.
[67] "Global Experts Rank Unilever Number One for Sustainability Leadership in New Survey." The 2014 Sustainability Leaders. GlobeScan/SustainAbility Survey. May 14, 2014. http://www.globescan.com/news-and-analysis/press-releases/press-releases-2014/310-global-experts-rank-unilever-number-one-for-sustainability-leadership-in-new-survey.html.
[68] Morse, Gardiner. "Reinventing the Chief Marketing Officer: An Interview with Unilever CMO Keith Weed." *Harvard Business Review* blog, July 21, 2014. http://blogs.hbr.org/2014/07/reinventing-the-chief-marketing-officer-an-interview-with-unilever-cmo-keith-weed/.
[69] "The Dove Campaign for Real Beauty." Dove, 2014. http://www.dove.us/Social-Mission/campaign-for-real-beauty.aspx.
[70] Scott, interview, 2014.
[71] Cone Communications and Echo Research, 2013.

Historically, brands have been called out for "greenwashing," but as *The New York Times'* long-time advertising reporter Stuart Elliott described in a 2014 article, this issue extends beyond environmental claims:

> A vocabulary has even sprung up to describe ads deemed inauthentic or hypocritical: "greenwashing," for environmental ads; "pinkwashing," for ads about breast cancer and other women's health issues; "rainbow washing," for ads aimed at consumers who are gay, lesbian, bisexual, or transgender.[72]

In a 2012 study of 6,000 people in Brazil, China, Germany, India, the United Kingdom, and the United States by BBMG, GlobeScan, and SustainAbility, 64 percent of consumers "strongly agreed" that they would purchase more socially and environmentally responsible products if "companies' health and environmental claims were more believable."[73] The TPI survey confirms that this issue is still relevant today: 94 percent of respondents said that accurate representation of facts about products or about social or environmental issues was important to them.[74]

It is for that reason that Chipotle chose to take on factory farming in its advertising campaigns. "We think that the [food] system is wrong and unsustainable, and we'd like to change that," said Crumpacker. "The marketing is derivative of our behavior—the marketing is simply telling our story."[75]

In the end, brands that build effective, purpose-led campaigns have the potential not only to advance their business, but also to create social and environmental value. After all, advertisers have used storytelling for decades to move margins and sell products. If the industry can turn its creative and economic force toward social good and creating engaging stories that give consumers a sense of purpose, we may see further shifts in favor of social, cultural, and environmental progress. "The opportunity for the industry is to be the pathfinders and cheerleaders of a new economy—to make margin and growth within the new economy," said Solitaire Townsend, cofounder of Futerra Sustainability Communications.[76]

Research, including Participant Media's TPI, has demonstrated the potential for entertainment to inspire this kind of change: "An emotional connection to storytelling is a uniquely persuasive force that impacts our knowledge, our attitudes and beliefs, and—often—our behaviors."[77]

The bottom line: One of the frontiers of advertising is purpose-driven campaigns, which combine transparency, storytelling, consumer dialogue, and engagement with campaigns that promote positive social, cultural, and environmental messages. Signs indicate that these campaigns are more engaging for consumers, creating shared value. There are risks that companies will be accused of "brand-washing," if their messages and stories are not

[72] Elliott, Stuart. "Agencies Set Sights on Marketing for a Cause." *The New York Times,* July 10, 2014. http://www.nytimes.com/2014/07/11/business/media/agencies-set-sights-on-marketing-for-a-cause.html.

[73] "Re:Thinking Consumption: Consumers and the Future of Sustainability." BBMG, GlobeScan, and SustainAbility, 2012. http://www.theregenerationroadmap.com/files/reports/TRR_Rethinking_Consumption.pdf.

[74] TPI survey, 2014.

[75] Crumpacker, Mark (Chief Marketing Officer, Chipotle), interview with Eva Dienel, August 2014.

[76] Townsend, Solitaire (Cofounder, Futerra Sustainability Communications), interview with Julia Robinson, July 2014.

[77] "Storytelling Matters: Measuring the Social Impact of Entertainment on Audiences." Participant Media. TakePart, June 2014. http://www.takepart.com/tpi.

authentic, credible, and relevant. It is vital that companies seek to define and advocate a purpose that is connected deeply to their core brand values and history.

Building Communities of Change: From Having to Belonging

For a select class of companies—those that truly embrace positive social, environmental, and cultural tenets—there is an opportunity to move beyond purpose-led campaigns to build communities of change.

These advertisers are likely to find a receptive audience, as consumers are increasingly embracing environmental and social responsibility. The 2013 Cone Communications/Echo Research study of more than 10,000 respondents in 10 countries found that if given the opportunity, 92 percent of consumers would buy an environmentally or socially beneficial product—and that 67 percent had done so in the previous 12 months. Additionally, when deciding what to buy or where to shop, 87 percent of respondents said they took into consideration the social and environmental commitments of a company.[78]

Advertisers that raise awareness of sustainable lifestyles, and, on a larger scale, create messages around changing consumption patterns, will be at the forefront of current trends around consumer awareness and will differentiate themselves in the industry. According to the TPI study, 77 percent of respondents said they found the "promotion of lifestyles that, in aggregate, lead to unsustainable consumption of planetary resources" to be an important problem.[79]

Jonah Sachs, the cofounder and CEO of Free Range Studios and author of *Winning the Story Wars*, wrote an article for Guardian Sustainable Business that parsed how brands can promote a lifestyle of sustainability, rather than simply pushing consumption. One takeaway: "Unlike the 'sustainable brand' that says 'buy our product because we're making it less harmfully than others,' the pro-social brand says 'join us in making a better society.'"[80]

One example of a pro-social branding opportunity is on Participant Media's online news and lifestyle division, TakePart.com. This website's Take Action Platform (TAP) enables brands to sponsor consumer actions that promote progress on issues described in articles on the site. For instance, in a campaign to raise awareness about the dearth of grocery stores in certain urban areas, Naked Juice sponsored an action to donate a pound of fresh produce to a so-called "food desert."

Karina Kogan, Participant Media's executive vice president for digital, said these actions have been very popular among readers, with the number of actions taken more than tripling between 2013 and 2014. She also noted that, according to a TakePart.com survey, more than half of respondents want brands to keep sponsoring causes. "Consumers not only want companies to do good, they want brands to advertise that they are doing good," Kogan said. She explained that

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[78] Cone Communications and Echo Research, 2013.

[79] TPI survey, 2014.

[80] Sachs, Jonah. 2014. "Beer Marketing Takes Over a Colorado Town, Leaves a Bad Taste." Guardian Sustainable Business, September 10, 2014. http://www.theguardian.com/sustainable-business/2014/sep/10/marketing-beer-whatever-bud-light-crested-butte-colorado-badvertising.

consumers want to affiliate themselves with brands that are well known for doing good, so their peers will believe the consumers are good by association.[81]

This is an example of an emerging trend in advertising that BBMG's Ingram described as a "shift from having to belonging."

"Advertising traditionally spent a lot of money to convince us to buy stuff because satisfaction was derived from owning or consuming," he said. "We have so many things now, this frame is losing its currency and meaning. Brands that are winning in the 21st century are increasingly creating a sense of belonging, of participation, and of tribe."[82]

Companies that are well-positioned to build this tribe are often identifiable by the fact that they have a mission statement. Patagonia's mission is to "build the best product, cause no unnecessary harm, use business to inspire, and implement solutions to the environmental crisis."[83]Unilever's mission statement also has sustainability at its center.[84] Participant Media was founded with the philosophy that "a story well-told can change the world."[85]

Companies aimed at building sustainable lifestyles typically embrace all three aspects of the framework we present in this paper: They are transparent about their business practices, including where they fall short; they listen to and engage consumers; and they not only stand for a larger purpose, they build communities of change and provide them with the tools to make that change.

In 2009, just after the global financial crisis, Patagonia's Rick Ridgeway was reading a story in *The New York Times* about a group of people who were "buying less and buying better." "They were realizing the value proposition in quality—if you pay more for something that lasts longer, you pay less," said Ridgeway. "The consequence of that is that you also reduce your footprint."[86]

This idea resonated with Ridgeway and a group of others at Patagonia, which had been working on ways to reduce the company footprint. Ridgeway realized this presented an opportunity to engage with consumers on a shared challenge, so Patagonia kicked off a campaign to work with customers and business partners to build a "Responsible Economy." This campaign had an advertising component: The company famously placed a full-page ad in *The New York Times* on Black Friday of 2011 that urged readers, "Don't Buy this Jacket," and went on to detail the environmental impacts of the jacket. The company also created its "Common Threads Initiative pledge," giving consumers tools to reduce consumption and repair, reuse, or recycle old clothes.[87] This consumer-engagement campaign worked because of Patagonia's core commitment to

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[81] Kogan, Karina (Executive Vice President, Digital, Participant Media), interview with Eva Dienel, October 2014.

[82] Ingram interview, 2014.

[83] "Our Reason for Being." Patagonia. Web page accessed September 13, 2014. http://www.patagonia.com/us/patagonia.go?assetid=2047.

[84] "Our Mission." Unilever. Web page accessed September 13, 2014. http://www.unilever-esa.com/aboutus/ourmission/default.aspx.

[86] Ridgeway interview, 2013.

[87] "Don't Buy This Jacket, Black Friday, and *The New York Times*." The Cleanest Line, November 25, 2011. http://www.thecleanestline.com/2011/11/dont-buy-this-jacket-black-friday-and-the-new-york-times.html

sustainability and its transparency about its own environmental and social impacts, which the company captures in its "Footprint Chronicles."[88]

This community-building approach is not limited to brands. In the fall of 2014, the media company *The Guardian* shared a new approach to building readership through a membership model:

> The new initiative, called Guardian Membership, aims to allow readers to get closer to the *Guardian*'s brand and open journalism philosophy.
>
> "You can become a closer part of the community of journalists, readers, and friends of an institution that has been around for well over 190 years," [*The Guardian* Editor-in-Chief Alan] Rusbridger said. "By joining, you can be part of our journey of transformation into an open and global 21st century media company."[89]

In spite of these stories, some are concerned that the growth of advertising is contributing to an unsustainable level of consumption. *Bloomberg Businessweek* pointed out that in 2012, after the launch of Patagonia's "Responsible Economy" campaign, the company's sales increased by almost a third and revenue increased 6 percent. "In short," the magazine noted, "the pitch helped crank out US$158 million worth of new apparel."[90]

A 2011 report by the Public Interest Centre and WWF-UK looked at the effects of advertising on human behavior and concluded that because advertising appeals to extrinsic, or competitive, values, it could have a negative effect on the environment and society, namely by promoting overconsumption.[91]

Futerra's Solitaire Townsend took a more sanguine view, pointing out that as the zeitgeist shifts, so, too, can advertisers. Advertising "can be about path-finding to a new lifestyle, and creatively engaging consumers in 'better.'" In the future, if advertisers focus on selling products, "there will be no ad industry," she said, but if they focus on inspiring sustainable lifestyles, "they will have a major role to play in the new economy."[92]

The bottom line: There is an opportunity for advertisers whose companies embrace sustainability as part of their core values to shift messages from a focus on "having" to a focus on "belonging." In this way, advertisers can help build communities among consumers to promote sustainable lifestyles. Ultimately, if advertisers use their position as powerful forces in culture, this could benefit not just the brand, but also society, by creating larger communities of people who demand sustainable products and processes.

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[88] "The Footprint Chronicles: Our Supply Chain." Patagonia. Web page accessed on September 13, 2014. http://www.patagonia.com/us/patagonia.go?assetid=67367.

[89] "Guardian Launches New Three-Tier Membership Scheme." *The Guardian*. September 10, 2014. http://www.theguardian.com/media/2014/sep/10/guardian-membership-scheme-patrons-kings-cross.

[90] Stock, Kyle. "Patagonia's 'Buy Less' Plea Spurs More Buying." *Bloomberg Businessweek,* August 28, 2013. http://www.businessweek.com/articles/2013-08-28/patagonias-buy-less-plea-spurs-more-buying.

[91] "Think of Me as Evil: Opening the Ethical Debates in Advertising." Public Interest Research Centre and WWF-UK, 2011. http://valuesandframes.org/download/reports/Think%20Of%20Me%20As%20Evil%20-%PIRC-WWF%20Oct%202011.pdf

[92] Townsend interview, 2014.

What's Next

We believe this research provides a platform for the advertising industry to discuss how to increase audience engagement while building brand loyalty and trust, by focusing on transparency, audience empowerment, and purpose. By championing these approaches, we believe advertisers will also advance important aspects of corporate responsibility, including truth and accuracy, privacy, freedom of choice, freedom of expression, and sustainable lifestyles.

However, this research is only a starting point, and more research is needed to test our proposed framework and explore these issues in more depth to examine how much they resonate with consumers. To catalyze more discussions and future research, this section highlights some of the challenges with our framework, the limitations of our research, and a call to action for the advertising industry to collaborate on the opportunities identified in this paper.

Areas for Further Exploration

Our research and interviews have highlighted some of the potential challenges in using responsibility and transparency as a lens for advertising. The three biggest challenges are related to internal processes, revenue concerns, and the changing nature of the advertising and media landscape.

Internal processes and capacity: One issue relates to the internal process required to engineer change. Does the company have the staff, time, and knowledge to review every ad? When the bigger trends in advertising are considered—particularly the sheer scale of digital ads, which are largely automated and therefore virtually countless given the expanse of the web—that question becomes more significant. What happens when the advertising supply chain becomes more vast and unknown? It would be worthwhile for future researchers to explore capacity and different approaches to processes that could work for the framework we propose in this paper.

Revenue and the business case: Another potential concern with the framework presented here is whether this approach could limit revenue opportunities or whether it could lead to some companies missing opportunities to use data or technology in a certain way. In corporate social responsibility, this tension between limiting business and building opportunities is debated frequently: Will improving a business practice in terms of corporate responsibility compromise the company's ability to generate revenue? In our research, we were not able to confirm whether the concern about revenue is real or just a perception, and this question deserves more attention.

Blurring of lines between industries and within companies: Today, brands are media companies, media companies are advertisers, and technology companies are media companies and data houses. The blurring of lines between advertisers and content creators pales in comparison to the blurring of lines among industries in the advertising value chain. And within companies, many different departments and functions play a role in advertising, especially as advertising campaigns run across media platforms and are integrated into programming and content. The dynamism of the industry creates an inherent complexity when it comes to introducing new frameworks aimed at affecting the entire advertising value chain. This may be the reason the FTC's workshop on native advertising—a single issue—concluded with more than 300 pages of notes but no consensus on what should be done to address the issue.

This trend also may point to an opportunity for companies throughout the value chain—and for individuals within companies who work on advertising but report to different departments—to seek or create platforms to share best practices and discuss challenges.

Limitations of this Research

Our research was limited in two main ways. First, it was largely qualitative. While we conducted interviews with dozens of leaders in advertising, and sent this paper out for peer review by additional experts, the industry is diverse and fragmented. As a result, our research could not possibly capture all of the nuances experienced by everyone who works in the advertising value chain. While we did our best to identify common themes based on our literature reviews, interviews, and our consumer survey, we were not able to test our recommended framework against a large group of industry actors or consumers, and we believe that doing this would be the next important step in this kind of research.

Second, several of the experts to whom we reached out declined to be interviewed on the record. This could indicate that the subjects are emerging, rather than clearly defined, and sensitive enough that individuals are wary of discussing them. Whatever the cause, we believe a larger, quantitative survey within each sector of the advertising industry would be useful—providing researchers a chance to truly see which issues rise to the top in priority, and allowing respondents to register their feedback anonymously.

An Opportunity for Advertisers

The advertising industry is at a turning point. The level of growth is increasing competition for audience attention, and new advertising formats are creating dilemmas that could be resolved by considering these challenges through the lens of corporate responsibility. Our research revealed that the biggest issues and opportunities lie within transparency, audience empowerment, and purpose. By focusing on these areas, advertisers will secure business benefits such as increased consumer trust and loyalty, while advancing important values related to corporate responsibility, including truth and accuracy, privacy, freedom of expression, freedom of choice, and sustainable lifestyles.

Ultimately, we believe the advertising industry has an opportunity to do more than just entertain and appeal to consumers; it can create deep and lasting connections and help drive real, positive change in the world.

We welcome feedback on this report, and you may email the authors at edienel@bsr.org or jrobinson@bsr.org.

Appendix 1: Ad Transparency Poll and Discussion Impact Panel Report

Survey Information

This poll was conducted by The Participant Index Impact Panel, powered by Nielsen, for BSR. The data was finalized on September 5, 2014.

Overview

BSR is working with Participant Media to explore issues related to consumers' understanding of, and interest in, responsible advertising and its implications. To examine consumer interest and understanding of a variety of issues related to the topic of responsible advertising, the TPI Social Impact Panel team posed a series of questions related to three key ideas: (1) consumer information collection and data, (2) advertising content (gender, race, sexual orientation, disabilities), and (3) advertisers' intent and level of transparency with the consumer public.

The data was collected from August 25 through September 3, 2014. A total of 82 panel respondents completed the questions, with a demographic breakout as follows:

Gender
» Male: 39 (48 percent)
» Female: 43 (52 percent)

Age
» 18-34: 27 (33 percent)
» 35-49: 28 (34 percent)
» 50-plus: 27 (33 percent)

Key Findings

Respondents are most concerned about the collection, storage, and lack of security of consumer information data:

» 9 in 10 people (90 percent) think this issue is important.

However, they also find tactless advertising and marketing alarming, particularly around vulnerable groups and stereotypes:

» 88 percent think the problem surrounding promotion of negative stereotypes related to race, gender, sexual orientation, or disabilities is important.
» 83 percent find the use of advertising and marketing tactics to target vulnerable groups to be an important problem.

When it comes to messaging, respondents really care that there are accurate representations of products and social actions:

» 7 in 10 (70 percent) thought this issue was very important.
» This issue was particularly important among females (77 percent) and those over age 50 (85 percent).
» "Just be upfront about what is actually being advertised and how it might affect consumers."

» "Let them advertise all they want the way they want as long as they aren't deceiving or lying."

The public tends to associate "ad transparency" with "honesty," and brands who advertise this way may, by extension, be perceived favorably:

» "I think that ad transparency means that companies are honest about what they are trying to see you and why they are trying to sell it to you."
» "Ad transparency to me is honest advertising, not embellishing claims, views, or images."
» "Being honest about your product or service. Clear who the ad is from."
» "Transparency would be something straight forward and honest. Get to the point and stay on it and don't have underlying fees and scam."

At the same time, the public may be quick to cast judgment on ads they feel attempt to pull the wool over their eyes:

» "Just tell me what I need to know and leave out the fluff sensationalism."
» "Ads sell the glitz and glamor, and try to suck one in. Car ads are the worst; the fast-speaking and tiny print of the terms at the end of the ad are annoying."
» "Ad transparency is an oxymoron... Ads are not transparent/open/honest/100 percent truthful... They are trying to sell you something, trying to make it look sexy or smart or desirable."

Data Points

Q1. How important are each of the following problems to you?

Increase in the number of advertising messages people see every day.
» 77 percent find it important.
» 78 percent of respondents who are 50 or older find it important.

Collection, storage, and lack of security of consumer information data.
» 91 percent find it important.
» 92 percent of males find it important.
» 91 percent of females find it very important.
» 93 percent of respondents who are 50 or older find it important.

Use and sale of consumer information (buying habits, online behavior, travel, friend groups, political affiliation, etc.).
» 82 percent find it important.
» 88 percent of males find it important.
» 77 percent of females find it important.
» 82 percent of respondents age 35 to 49 find it important.

Unsubstantiated or misguided claims about a company's environmental or social performance.
» 85 percent find it important.
» 88 percent of respondents age 18 to 34 find it important.

Promotion of lifestyles that, in aggregate, lead to unsustainable consumption of planetary resources.
» 77 percent find it important.

Manipulation of photos in ads (e.g. to change body image).
» 69 percent find it important.
» 73 percent of females find it important.

Use of advertising and marketing tactics to target vulnerable groups (e.g. poor, minority, or disadvantaged groups, or using big data to narrowly target individuals when they are at their most vulnerable).
» 83 percent find it important.
» 85 percent of males find it important.
» 82 percent of females find it important.
» 85 percent of respondents age 35 to 49 find it important.

Promoting negative stereotypes related to race, gender, sexual orientation, disabilities, or other.
» 88 percent find it important.
» 85 percent of respondents age 50 or over find it important.

Promotion of products that some groups may deem "unhealthy" or "dangerous" (i.e. certain foods/drinks, nutritional supplements, tobacco or e-cigarettes, alcohol, and guns/firearms).
» 74 percent find it important.

Q2. How interesting is each of the following ideas to you?

Clearly identifying what is content versus what is advertising.
» 91 percent find it important.
» 58 percent of females find it very important.
» 85 percent of respondents age 50 or over find it important.

The ability for you to opt out of advertising or select which ads to view.
» 94 percent find it important.
» 65 percent of females find it very important.
» 96 percent of respondents age 50 or over find it important.

The opportunity for you to offer feedback and engage in a dialogue about advertising practices and messages.
» 82 percent find it important.
» 92 percent of respondents age 50 or over find it important.

Creation and promotion of pro-social and pro-environmental lifestyles in ads and in the companies that run them.
» 73 percent find it important.

Accurate representation of facts about products, or about social or environmental issues.
» 94 percent find it important.
» 100 percent of respondents age 50 or over find it important.

Appendix 2: Potential Issues Related to Responsibility and Transparency in Advertising

In question 5 of our interview guide, we outlined a list of potential issues related to responsibility and transparency in advertising. We asked interviewees to rank each of the issues below as "high," "medium," or "low" based on their assessment of relevance to their business (operations/processes, products/services, brand/reputation, relationship with customers, etc.) and relevance to their most important stakeholders (e.g. shareholders, customers, business partners, watchdog groups, government, and others). This was not a quantitative survey, but we used respondents' answers to inform the responsibility and transparency issues we identified as highest in priority for the advertising industry.

1. **Transparency:** Clearly identifying what is content versus what is advertising.
2. **Choice:** Opportunity for consumers to opt out of advertising or select which ads to view.
3. **Freedom of Expression:** Opportunity for consumers to offer feedback and engage in a dialogue about advertising practices and messages.
4. **Message Saturation:** Increase in the number of advertising messages consumers receive in everyday life across multiple media platforms.
5. **Consumer Privacy:** Collection, storage/security, use, and sale/distribution of consumer information (buying habits, online behavior, travel, friend groups, political affiliation, etc.).
6. **Sustainable Lifestyles:** Creation and promotion of pro-social and pro-environmental lifestyles.
7. **Unsustainable Consumption:** Creation and promotion of lifestyles that, in aggregate, lead to unsustainable consumption of planetary resources.
8. **Greenwashing:** Unsubstantiated or misguided claims about a company's environmental or social performance.
9. **Truth/accuracy:** Accurate representation of facts about products, or about social or environmental issues. Can also relate to the manipulation of photos (e.g. to change body image).
10. **Vulnerable groups/predatory advertising:** Use of advertising and marketing tactics to target vulnerable groups (e.g. poor, minority, or disadvantaged groups, or using big data to narrowly target individuals when they are at their most vulnerable).
11. **Negative stereotypes:** Promoting negative stereotypes related to race, gender, sexual orientation, disabilities, or other.
12. **Unhealthy lifestyles:** Promotion of products that some groups may deem "unhealthy" or "dangerous," such as certain foods/drinks, nutritional supplements, tobacco or e-cigarettes, alcohol, and guns/firearms.