

Three small yellow triangles are stacked vertically on the left side of the page.

**CAN YOU HAVE
SUCCESSFUL TARGETED
ADS IN THE MIDST OF
INCREASED USER PRIVACY?**

Potential customers see countless ads while scrolling through social media, watching streaming media, and surfing the internet. (Frankly, it gets monotonous and aggravating for them—we get it.)

The right kinds of targeted advertisements can help you stand out from the competition by directly appealing to your target audience. For years, many companies have used cookies and other tools to collect data on consumer behaviors to create personalized ads.

But did you know that targeted marketing ads are facing a significant dilemma? Internet users are increasingly concerned about their privacy, and protect data privacy laws are ramping up. Marketers have to change their tactics for personalizing their marketing strategies.

[More than half of consumers](#) have indicated that they're concerned about their sensitive data on smartphones and other internet-connected devices. User privacy is such a concern that many governing bodies have stepped in to protect customers from companies illegally using and selling their personal data.

In 2016, the European Union passed the [General Data Protection Regulation](#) (GDPR), a strict privacy law restricting how businesses can collect and use personal data. The GDPR applies to any business with customers in Europe. Even if your business is located in another region, you could still face fines if you have European customers and violate the law.

“

"Privacy is not an option, and it shouldn't be the price we accept for just getting on the Internet."

- GARY KOVACS

Under the GDPR, you can collect personal data only for legitimate purposes, and you have to disclose what you plan on doing with the data. You're allowed to collect only as much data as you need for your specified activities, and you need to give customers a clear method to opt out. Violating the GDPR could put you at risk for steep fines of up to 20 million euros or 4% of your global annual revenue.

The U.S. does not currently have federal regulations in place prohibiting the collection and distribution of customer data, but many individual states have enacted their own privacy laws. One of the strictest in the country, the [California Consumer Privacy Act](#) (CCPA), was enacted in 2018. Under this law, consumers in California have:

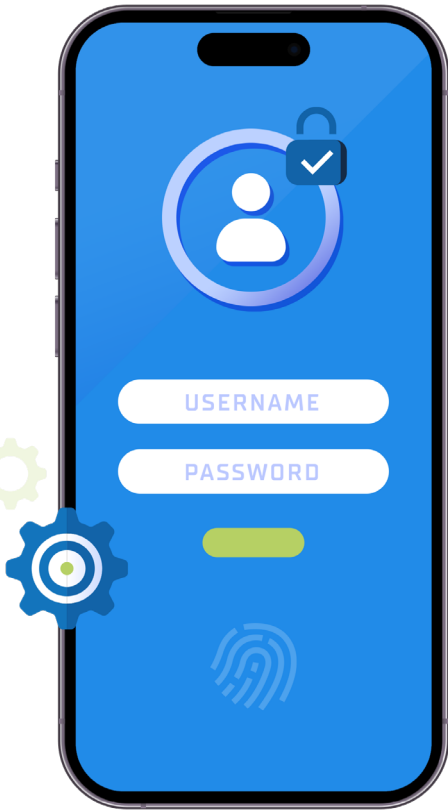
- The right to know what information a business is collecting and why
- The right to opt out of sharing their information
- The right to non-discrimination from companies collecting data
- The right to delete personal information that is currently on file

The CCPA requires you to inform customers on what kinds of data you're collecting and what you plan on doing with it. You also have to make your privacy practices clear to customers.



The Evolution of User Privacy in Digital Advertising

Getting permission from consumers before collecting their data is paramount. Most privacy protection laws require you to make sure consumers opt in before you can obtain their data. You also need to be clear about what types of data you're collecting and what you plan on using it for.



Regulations such as the GDPR and the CCPA limit what [types of information](#) you can collect. Personal information includes any data that links a consumer to their household, such as their name, Social Security number, email address, geolocation data, and past purchase records. Sensitive personal information includes:

- Social Security numbers
- Account login information
- Financial account information
- Debit or credit card information
- Precise geolocation information
- Biometric information
- Contents of digital messages

Tracking and collecting personal data have long been vital to digital marketing strategies. This data makes it easier to target customers with the right messages and track various performance metrics, including click-through and conversion rates.

New privacy laws restrict your ability to collect this data, which could impact your return on investment in the short term. Limiting how you track and profile your customers due to privacy regulations may lower your return on investment and potential ad revenue.

With [5.3 billion people](#) accessing the internet daily, the majority of people across the globe are potentially having their online activity tracked. As a result, [most Americans are concerned](#) about what kinds of data companies are collecting, and most people are confused about how their data is being used.

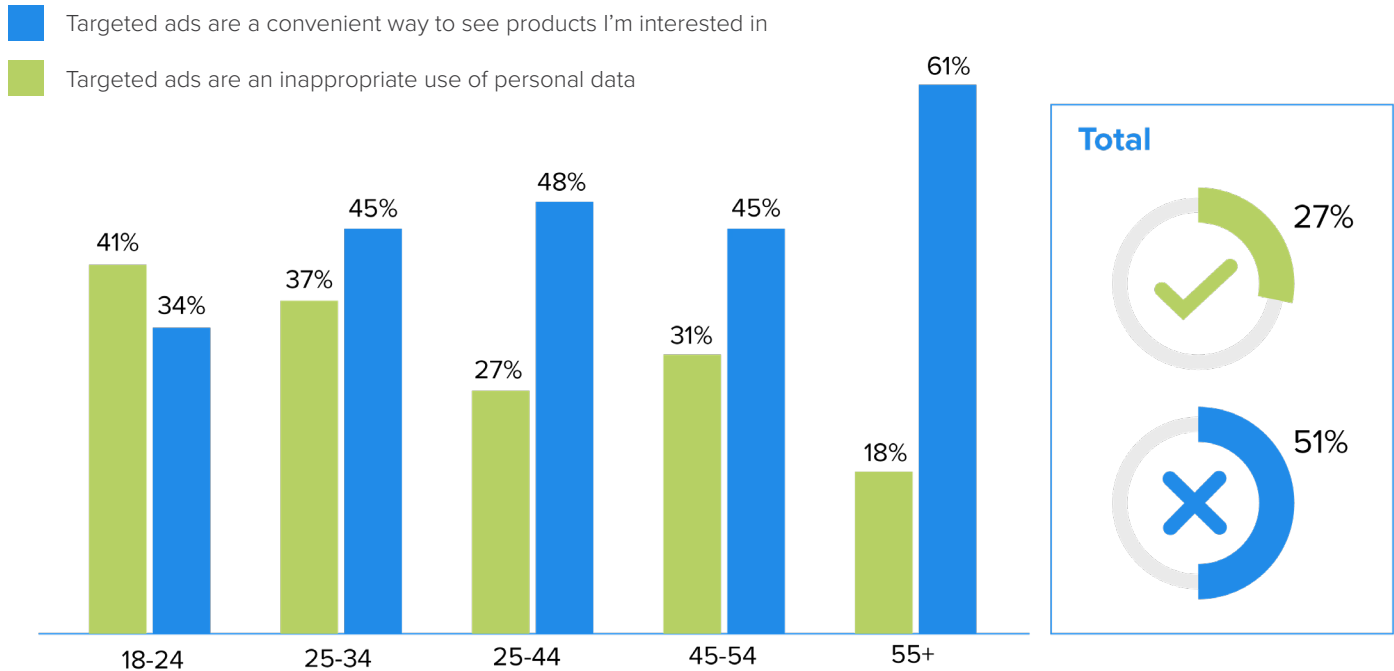
Americans don't trust social media platforms' leadership to protect their privacy, and they have little faith in the government's ability to rein in these companies. They're also worried about how companies will use their data with new technology such as artificial intelligence.

Many Americans are taking matters into their own hands with privacy-oriented [technology](#). Some use cookie blockers and secure search engines to keep themselves from being tracked online. Others are using virtual private networks (VPNs) to

81% of internet users say the potential risks they face from companies collecting data outweigh the benefits.

Targeted Ads: Interesting or Intrusive?

View of targeted online advertising among Americans, by age group



Based on a survey of 3,132 U.S. adults conducted on May 1, 2019; missing percentages to 100%: "don't know"

conceal their IP addresses, which keeps companies from tracking their geolocation information and other types of data.

Consumers across the globe are also using artificial intelligence to combat artificial intelligence. Companies can use AI-powered tools to collect and interpret consumer data, while consumers can use their own AI-powered tools to detect and shut down potential privacy threats. It's an endless cat and mouse game.

Search engine providers, including Google ads, are also cracking down on tracking cookies. Although Google has delayed its [ban on third-party cookies](#), the company eventually plans on phasing them out. Still, the Google Display Network is a valuable resource for now.

Apple has introduced privacy protections in its email app to stop companies from tracking users who are opening their messages. It's just another company trying to get ahead of the next general data protection regulation.

Data privacy protection regulations and privacy-oriented technology present multiple challenges to marketers trying to personalize their targeted advertising programs, requiring many to change the way they do business as usual.

63% of internet users believe most companies are not transparent about how their data is used.

Current Challenges With Targeted Advertising

Targeted and personalized ads are vital to catching the right customers online. This type of ad strategy allows you to capture a receptive audience that is more likely to buy your products and services.

Clearly, privacy concerns make this form of audience targeting much more difficult. If you're like most companies, you're currently using a variety of digital advertising tools that rely on a customer's internet activity to effectively target them with your ads. You might use:

- Geolocation data to target people in your area with ads explaining the benefits of your product and services.
- Pixels and other tracking tools on your website to retarget visitors who have abandoned their carts.
- You might collect email addresses and other types of data to send personalized coupons and targeted ads encouraging customers to come back and shop with you.

Because they're more personalized than generic ads, targeted ads are more effective. [Most customers \(80%\)](#) prefer personalized ads that speak directly to their needs. Your potential customers are more likely to click on ads that are relevant to them.

As a business owner or marketer, you still want to use targeted ads to appeal to your audience, but you need to go about it differently to comply with new privacy laws. You may find yourself needing to switch up your technology to work with platforms that don't collect the same data.

You might be tempted to ignore the new rules and regulations, but doing so can prove to be costly. Meta, the company that owns Facebook, was fined [\\$1.3 billion](#) for violating the GDPR. The EU determined that the company was illegally transferring data from its European users to American companies. Beauty retailer Sephora was fined more than [\\$1 million](#) for failing to disclose its practice of selling customers' data. If you're a small-business owner, you probably don't have the resources to pay the fines associated with such violations.

Additionally, with customers becoming more suspicious of how companies are collecting and using their data, you may also find resistance to your ads. Instead of being receptive to a hyper-targeted message that appeals to them based on their location and demographic information, a customer may wonder how you got their data in the first place and why your ad appeared in their feed.

Most of us have experienced that creepy feeling that comes when our phone shows us an ad for something we were just talking about. It's almost as if the phone was spying on our private thoughts. It's



spooky, and this kind of social media targeting definitely creeps online users out.

You don't want to lose out on customers because you're not collecting the right data to successfully target them. Thankfully, since advertisers have known about these privacy laws for some time now, they've been developing new ways to collect data for ad targeting while respecting customers' privacy.

Innovative Strategies for Targeted Advertising

Adapting to a cookieless world leads to advertisers experimenting with various targeting strategies that allow them to attract customers without compromising their privacy. Emerging technologies also give you the ability to collect the data you need to target customers without violating data privacy regulations. Collectively, these tools and strategies can help you target your potential customers with rich, personalized ads while allowing consumers to protect themselves from hackers, data breaches, and other privacy risks.

Transparency is your best resource. As long as you're being clear about what kind of data you're collecting and why, many customers will offer it up. Instead of relying on third-party cookies and other tracking tools, you can engage your audience directly in your marketing efforts.

Collect First-Party Data

Start your ad personalization campaigns by collecting first-party data. This is data you collect from your customers themselves. You can collect it through surveys, social media, website visits, and email list sign-ups. Since you're obtaining that data yourself, you can prove that you've expressly asked for permission to use your customers' data.

You don't have to send a mass email or social media post asking customers to hand over their information. You can add an opt-in button to your website and ask users to check it when they make an order or create an account. You can also ask customers in online chats and other customer service interactions if they're OK with giving you their data.

Because you collect first-party data through real-time interactions with your customers, it's a great way to build relationships with them. You have a record of why each customer is contacting you, which allows you to deliver personalized messages that address their concerns. You also know that your data is valid since it came directly from your customers.

Cohort Targeting

You can also use other targeting methods that don't rely on tracking and personal data collection. Cohort targeting is a method of advertising in which you group potential customers by their behavioral patterns instead of targeting specific people.

Targeting by cohort involves extensive market research that allows you to understand each group and their pain points. With this information, you launch campaigns that address these pain points and use generalized methods to target members of each cohort. For example, instead of retargeting a potential customer on social media based on how they interact with your website, you would run a social media marketing campaign aimed at people in the same demographic group as your target cohort.

Contextual Advertising

Contextual advertising involves running ads on websites based on their content rather than targeting based on a user's behavior. You can use keywords to determine which websites would best match your target audience. You can also use crawlers and other technologies to categorize websites by theme and decide which would most likely appeal to your audience.

Instead of collecting data on specific users, you can create customer profiles based on your best customers and use them to develop targeted ads. [AI-powered tools](#), including Google Analytics and IBM's Watson, can help you develop these ads by analyzing web traffic and user behaviors and generating insights to segment your customers. If you're using an AI-powered persona generator, you can ask questions and track patterns in the answers to target actual customers without using their data.

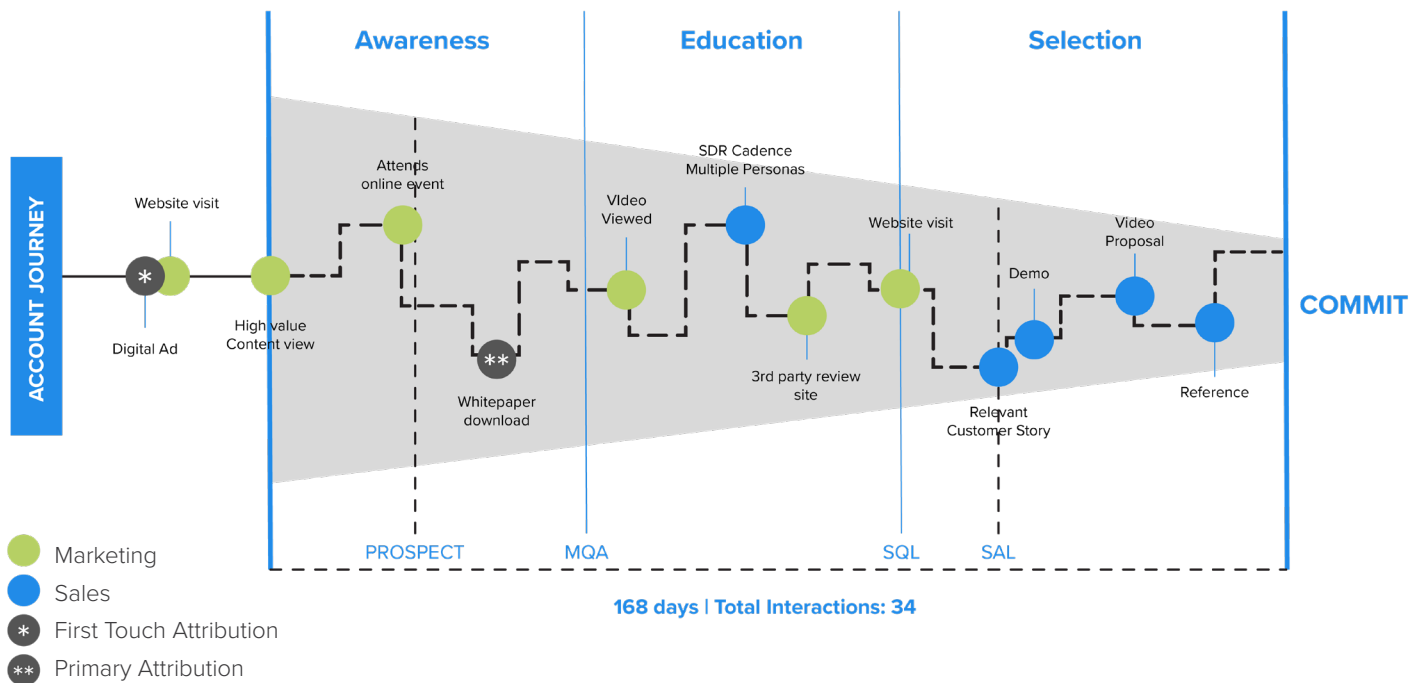
AI can also help you remain compliant with privacy laws. Because AI can process data faster than humans, it can help you avoid targeting people who have opted out of receiving your messages.



Case Studies of Successful Targeting Strategies That Kept Privacy in Mind

Online advertising doesn't have to be exploitative. Discover how some top companies have decided to encrypt data and use such data from customers in a safe, responsible manner.

Enterprise Target Account \$420k



Birchbox

Birchbox is a subscription-based e-commerce company that connects customers to products they might like. The company has specialized in personalization since its inception, using customers' data to curate their boxes.

As a European company, Birchbox is required to comply with the GDPR. The company's [privacy policy](#) is easily located on the homepage for anyone who wants to create an account, complete with detailed information about what kinds of information Birchbox collects and how it uses that data.

Birchbox creates targeted ads and personalized recommendations primarily through the use of first-party data. When a customer signs up, they take a quiz and create a profile that helps the company curate their box. Birchbox also uses aggregated data to target potential customers rather than tracking specific customer behaviors. Birchbox recently redesigned its website to offer a better shopping experience.

Customers who sign into the website get personalized recommendations based on the items in their previous boxes as well as their customer profile. Although the company is using personal data to inform its product recommendations, all of the information is collected directly from the customers themselves, enhancing engagement instead of raising suspicion.

Since the website was redesigned, Birchbox has seen a [20% increase](#) in shop revenue per customer. Birchbox's case study highlights how a company can solicit information from its own customers to improve their shopping experience. Instead of covertly collecting data for targeting purposes, Birchbox makes it easy for customers to share their own data and, more importantly, to opt out if they want to. The company's increase in revenue highlights how successfully personalizing a customer's shopping experience can encourage them to buy more.

SteelSeries

[SteelSeries](#) is a Danish gaming gear brand that has nailed the art of contextual targeting. Since the company specializes in mice, headsets, and other gaming accessories, it regularly advertises on Twitch. This platform allows gamers to livestream to an audience while they're playing the hottest games.

The company also posts content on Twitch and YouTube to connect with its target audience. These videos include tutorials on various products, game reviews, and sponsored content in which popular influencers review products.

SteelSeries has more than 180,000 YouTube subscribers and regularly amasses tens of thousands of views on each video. Instead of relying on third-party data to target potential customers, SteelSeries has used clever contextual targeting and high-quality content to build a loyal fanbase. These relationships allow the company to build a level of social proof that is more difficult to achieve through traditional targeting methods.

Top Companies Use Sensitive Data Carefully

Birchbox and SteelSeries highlight the importance of creating a trusting relationship with your customers and leveraging it to build your brand. Although Birchbox does collect data, its privacy policy is clear, and customers can easily opt out.

When customers do provide their data, Birchbox uses it to improve their shopping experience with tailored recommendations.

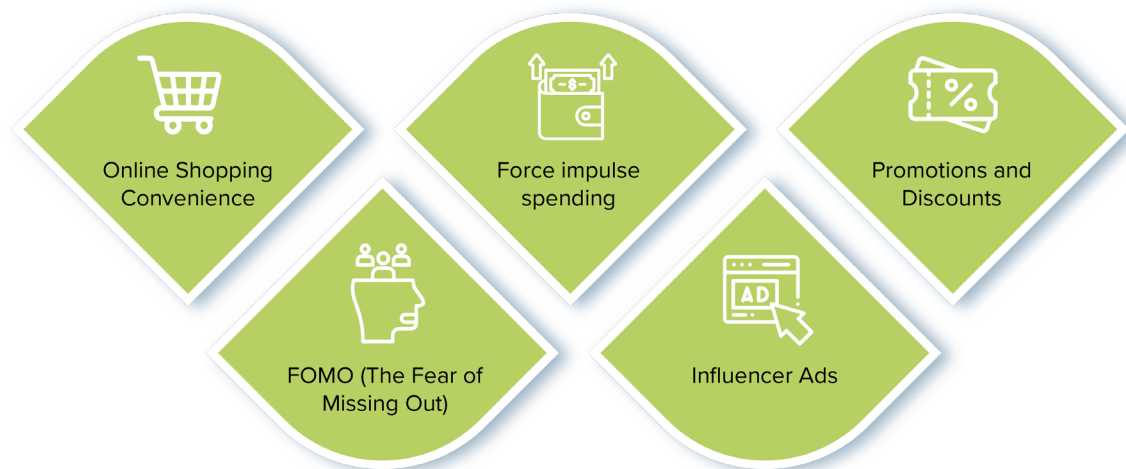
SteelSeries has built a community by targeting gamers in the places they are most likely to frequent on the internet. Instead of using third-party data to target specific customers, you can advertise to them in the places they are likely to be. With compelling messages, your potential customers will find you.



Looking Ahead: The Future of Privacy and Targeted Advertising

Modern customers expect personalization, and these types of ads are successful at securing conversions. Targeted advertising is not likely to go away anytime soon. However, marketers will likely keep testing new targeting strategies until they hit a balance of personalization and respecting customers' privacy.

How Targeted Marketing Can Influence Your Spending Habits



Although companies are still adapting to new privacy regulations and many are currently experiencing a drop in advertising revenue, most will likely bounce back as they adapt. Successfully leveraging market research and customer profiles will allow marketers to create targeted ads that resonate with their audience without having to collect personal data.

Data privacy laws have the potential to influence a company's relationship with its customers. Transparency is critical in the modern landscape. Customers have a right to know what data you're collecting and what you plan on doing with it. As such, you will likely need to improve your privacy policy, making sure that each element of your data collection strategy is crystal clear. You'll also need to give customers a chance to opt out, and you'll have to honor their decision, which can help build trust between you and your customers over time.

Your privacy policy should be accessible through every channel in which you're interacting with customers. Send it through SMS messages and on social media as well as posting it on your website. Start a dialogue with customers about the benefits of sharing their data, but make sure they have a way to opt out.

You also have your own data at your fingertips. Over the course of doing business, you have collected plenty of first-party data. This information can inform your marketing strategy by providing insights into your best customers. Through chat interactions, social media mentions, existing customer transactions, information from loyalty programs, and other sources of data, you can learn how to target customers who share similar characteristics.

Your current data can highlight commonalities between your best customers, helping you effectively target other people in the same cohort. For example, if you were working for SteelSeries, you might use a tool to analyze your YouTube subscriber base and note users' demographics. With this data, you may find that your current customer base consists of males between the ages of 18 and 35. You would be able to leverage this data to run social media ads geared toward this demographic.

Data privacy laws may seem daunting, but marketers can use technology and creativity to comply with the rules while appealing to customers and respecting their privacy.

Effective Targeted Advertisements and User Privacy

Consumer privacy is important in the age of the internet. Customers are increasingly concerned about how companies are collecting and using their data. With data breaches in the news on a regular basis, customers are becoming distrustful of companies and are worried about their privacy.

Regional, national, and local governments have heard these concerns and passed legislation aimed at protecting customers' data. Business owners and marketers need to comply with these regulations or risk steep fines and waning customer trust. However, there are multiple targeting methods available that enable companies to connect with potential customers without compromising their privacy.

If you're not sure where to start, Elevato can help.

We offer innovative digital tools that connect your brand with the right customers. We can work with you to evaluate your existing targeting strategy and develop new campaigns that comply with data privacy laws. Trust our expertise.

[Schedule your free consultation](#) to learn more.

