IAB Presents
Innovations In Web Marketing and Advertising

Big data delivers on campaign promise: Microtargeted political advertising in Election 2012

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Executive summary:

Digital political advertising has quickly become an integral part of political campaigns in the USA, and in the current election cycle it is clear that the increasingly accurate microtargeting of messaging made possible through the use of Big Data is playing a crucial role in all stages of these contests—including recruiting and fundraising, persuasion and get-out-the-vote efforts. While microtargeted messaging is only beginning to feature in state races, the practice now occupies a prominent—and possibly determinative—role in this and future congressional and presidential contests. The market for election advertising in 2012, across all contests and platforms, is estimated to top $10 billion. The online portion is projected to be the $160 million-plus range—a small part of the total but at least six times more than the $20 million-plus spent in 2008. This paper focuses on the presidential contest, which will account for about one-third of the total election contest spend and a similar or higher proportion of the online spend. It should be noted that the same eased federal disclosure laws governing campaign finance that in part have led to rapid growth make hard numbers on this year's online spend difficult to determine. This paper is the product of in-depth interviews with more than 15 digital political advertisers and consultants involved directly in microtargeting, as well as data brokers, political scientists, reporters and other experts. The author identifies several specific trends that point to continued refinement of techniques and growth in the online political microtargeting market—as well as a possible need to develop common nomenclature and best practices—in coming election cycles.

Key findings:

–Microtargeting has become the predominant means of delivering political messages online.

–Microtargeted political ads are growing in use as a tool among campaigns and outside groups, political consultancies, as well as public relations firms—all of which coordinate and direct political ad buys.

–Microtargeted political ads are being used at all key points in political campaigns—to recruit and raise money, to persuade undecided voters and to get out the vote. They make use of online and offline data to find appropriate audiences, and create constantly-adjusted models to further refine their focus.

–Microtargeted messages are part of a new norm of buying qualified audiences, not qualified websites.

–Microtargeting online and TV often address different needs, but TV is sometimes preferred to online in part due to a perception that online ad buys are more complicated.

–Microtargeted political ad buys are up in part due to higher spending by deep-pocketed donors post-*Citizens United*—but a wide array of new voices also buy for the capability to find niche voters.

–Microtargeting firms must continue to be aware of and address privacy concerns.

"This is going to change the political environment. It's a marketing tool that has now migrated into the political realm. And I think that looking forward, almost no campaign can afford to ignore this technique."
–Rep. Gerry Connolly, D-Va., on the use of Big Data and microtargeting...

Introduction: What is political microtargeting?

Microtargeting is increasingly being used by campaigns, "outside groups," political consultancies, and public relations firms—all of which coordinate and direct political ad buys

The latest, greatest technology has long played a prominent role in American election campaigns—by the mid-1800s political communications had leapt from horseback couriers to telegraph lines, and by the 1900s the telephone joined the telegraph as a key tool in the contests that ended on Election Day. Recordings and film, radio, TV and computer-aided direct mail—a hundred years of rapid developments pushed in part by the press of modern advertising and in part by politicians eager to communicate with constituents—all followed. Technological breakthroughs, affecting politics and everything else, are now taken for granted by a generation that barely notices the sci-fi velocity of change.

But breaking away from the pack of previous electronic platforms—a mere fifteen years into the Web era—political campaigns now for the first time can actually reach out to prospective voters with messaging that addresses *each person's* specific interests and causes—just as generations of political canvassers have done on their feet in door-to-door rounds, and just as we all do in everyday one-on-one conversations.

The Web's message-customization methods are quantum-leap adaptations of longstanding marketing techniques. For decades, campaigns have targeted prospective voters by demographics—income and interests—most often through direct mail and phone canvassing, honing these capabilities by cross-referencing census and voter information with consumer survey results. But now, instead of compiling such information from small, periodic surveys, it is culled directly, in real time. Campaign ads run on this information, pulled together and refined constantly through the use of multiple data sources— known as Big Data. These could include offline data from voter rolls and property records, as well as online data generated by our everyday political and consumer behaviors as we live more and more on the internet—leaving a "data exhaust" about our interests, including commercial and political Websites we visit, and social media led by Facebook, Twitter and other electronic forums.

The 2012 election year will go down in history as the year that online political advertising hit its stride and finally matured, playing a central role in the election process—exactly as TV did in the early 1960s with the famous "daisy" ad pressing voters to turn out for President Lyndon Baines Johnson. Politics—and political ads—have been on the Web since the 1990s, and were key to Howard Dean's 2004 and Barack Obama's 2008 presidential efforts. But the current presidential election cycle has seen a meteoric rise in online ad spending. Overall political ad spending on all platforms is predicted to jump 40 percent over the last one, while the total online buy for 2012 is on track to exceed early predictions of nearly $160 million—a *six-fold rise* in this market, according to some estimates. [1]

How does political microtargeting work?

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[1] SOURCE: Borrell Associates, "Political Advertising: The Flood of 2012," Mar. 2012, summary available at:
http://www.borrellassociates.com/component/virtuemart/?page=shop.product_details&flypage=garden_flypage.tpl&product_id=1025 This industry report estimates a total political spend—federal, state and local—of $9.8 billion for election cycle 2012, versus $7 billion in 2008, a 40 percent gain, with the online component predicted to jump six-fold, from $22.2 million in 2008 to $159.2 million in 2012. However, if current spend rates hold, that estimate is likely to be exceeded. Leading campaign finance tracker Center for Responsive Politics reported that by Aug. 21, 2012, over $50 million already had been spent on online paid media, and—if trends set in recent presidential election cycles hold—the Borrell estimate will be handily exceeded (see http://www.opensecrets.org/pres12/expenditures.php.) Furthermore, while CRP does not forecast media buys, historically those rise with the aggregate raised—and CRP estimates that the total raised by all entities participating in federal campaigns in election 2012 will grow from $5.2 billion to $5.8 billion, an 11.5 percent increase. Respected Wells Fargo analyst Marci Ryvicker, who does forecast media buys, in September 2012 raised her political ad spend estimates for this cycle on TV and online: http://www.adweek.com/news/advertising-branding/analyst-political-advertising-boost-tv-coffers-23-143342.

Political microtargeting is a variation on the same techniques that drive targeted online consumer advertising—techniques that well before this election year were serving our Web browsers ads based on sites we'd visited and searches we'd performed.

The goal of the microtargeter is that the right message is emailed to the right address, and the right ad is delivered to the right audience—to make sure that the messages campaigns send are effective, and because a high proportion of impressions are seen by the appropriate audience provide a good value for clients.

Just as in the consumer space, the targeting aspect—audience-tailored online ads and emails—of political messaging relies on a data "mashup," the controlled mixing and sorting of different types of data. Big Data, culled from vast databases of offline and online data, is sorted to help target those ads as well as to tailor email messages.

'Personas' and segments ...

"Here's the difference between targeting and microtargeting: Every campaign is targeting in some way, shape or form—beginning with doing so geographically," explains Ken Goldstein VP of top political ad tracker Kantar Media's Campaign Media Analysis Group. But with email and cookie-enabled microtargeting, he continues, instead "you are targeting down to the level of the individual, wherever they are."

The key to the whole process of microtargeting messages to voters is Big Data. "It tells us who they are, where they are, how old they are, what they like on Facebook, what they talk about online—and what they dislike," Jake Rosen, a digital and social strategist at Fleishman-HIllard who works with political clients, says. "Then we can microtarget and customize all content and advertising—literally everything—to suit specific 'personas.'"

Rosen explains that he and his team typically build many—sometimes twenty or more—archetypes, in the process of segmenting a population for messaging purposes. "We go in and build the '*personas,*' each of which is a type in your target," he says.

Every aspect of a likely voter—their political and consumer interests—is broken down and analyzed, Rosen explains, so that each individual's constellation of tastes fits into one of the personas. In turn targeted political messages, relevant to each persona, are composed and directed toward a cookied browser or email address.

From digital political ad firm to data broker—and back...

Campaigns and outside groups typically either use their own databases—of registered voters listed by district—or they rely on their party or microtargeter, which also possess and add value to microtargeting in the form of their own frequently refreshed databases of this changing information.

Such offline lists of voters and, often, their party affiliation—taken from state voter registration rolls—are carefully mashed up with online data such as the non-name specific exhaust trail Web users leave, identifiable only by cookies that namelessly tag along as we surf the Web.

This information is further refined by matching it with databases containing specific email addresses that people use to subscribe to consumer and political Websites, and with information they post on social media. The result? The distillation of a "segment" of people with compatible opinions, interests or circumstances. Further refinements can then follow: the resulting "segment" can be sent test messages or content, and then be surveyed, providing an even deeper picture of that segment and a basis for even more targeted messages.

These sophisticated means of, in effect, listening to the political interests and consumer tastes of people online are key to modeling segments and honing messages—enhancing the targeting capability of emails sent and ads served by the microtargeter.

"You're trying to serve a particular ad, and trying not to waste impressions," says Will Feltus, of National Media, a political advertising shop that caters to GOP candidates."You buy only so many impressions and you want certain kinds of people

to view them." The trick, Feltus says, is to match email addresses and cookies with specific tracked online and voting behaviors, so you can find and message the desired audience.

Art and science ...

Feltus says the process often involves intuition—making it a kind of art as well as science. It is all about making sure that the data is fresh, relevant and correctly mashed that's critical to making sure microtargeted ads and emailed messages are effective. "There's more than one recipe for doing this," Feltus says. "But it's the actual cooking that's the hard part."

National Media—like other online political ad firms such as CampaignGrid and DSPolitical—provides not only expertise, survey models and their own proprietary databases. Many firms also help to create—or create from start to finish—the targeted messages needed by their clients.

Microtargeters also work with third parties—combining their data and their clients' data to be sent out and sorted with vast stores of data held by Big Data brokers, such as Acxiom, Experian or BlueKai. For most applications, these data firms are entrusted to provide powerful targeting information—combining their offline and online data with the microtargeter's, while stripping out private, name-specific datasets. "PII" is unnecessary in the case of targeting an ad or an emailed message; the goal is simply to get the right ad or emailed message to the right audience. Individuals are addressed by name only when they have opted in, and volunteered private information—the norm for those targeted with a message who have previously donated funds online to specific campaigns or parties, for example.

In this way, the microtargeting process can simultaneously respect privacy and be effective. The message—whether ad or email—need not be connected with a particular name, but only a certain email address or cookie. That email address or cookie matches a nameless person whose voter registration file and online exhaust reveal them to be someone *likely to respond positively* to a particular ad or communication—one, in fact, crafted with them in mind.

Reaching the intended audience

Rich Masterson, CEO of the GOP political microtargeting firm CampaignGrid, emphasizes
that in microtargeting you are not buying ads on a site—you are buying the audience you want *as that audience moves from site to site.*

Microtargeted ads for political purposes are part of a new norm of buying a qualified audience, rather than buying on qualified websites.

"There has been a fundamental transformation of the online advertising market—everything has become inverted. You used to buy on a qualified site, and you hoped that qualified customers would go to that site. It was site first, and audience second," Masterson explains. "You no longer buy a site and hope you find that audience. Instead you advertise to a specific target audience—and you only buy on those sites when that audience shows up."

From Data-mining to data-mashing ...

Political microtargeters send over their data—with all PII removed or coded—to large databrokers to get email addresses and other data that matches the files, according to Joel Neubert, director of sales for Acxiom Government Solutions.

"We see if we can't just get a match on the people that they send us," Neubert tells IAB. "We go ahead and append that data to those files—based upon all of the governing rationale and the legal parameters."

"Then we secure those files, zip them back up and send them back over to the committee [or other client]," Neubert explains. "So now our client can say, 'Now I know more about these constituents or voters, and I'm going to analyze my results to impact those voters later—by dropping some direct mail, or sending an email—or by soliciting a donation.'"

"The point is that they are targeting these folks," Neubert says, "So, they can have a better understanding about who is going to come down where on a political issue, and who will donate."

Digital political ad firms use Acxiom and other large data brokers. But they also use other "match partners" in the form of content websites, as further means to target messages.

"We say, look, if somebody on our list is also on your registration, would you drop a cookie for us?" Masterson says of such match partners. "On that cookie, we have the person's gender, zip code, congressional district that they're in, state district that they're in—we have 18 attributes on it."

By mashing up outside Big Data with his company's 180-million strong voter file, Masterson says he can give campaigns just about any specific demo they could want—"Republican mothers who drive SUVs in the Pennsylvania 13th congressional district," he offers as an example. Other microtargeting firms—Republican and Democratic—also cite strong and up-to-date voter files as being an important part of how they provide enhanced targeting capabilities to clients.

Politically sensitive data means one-party firms ...

Another standout feature of microtargeting firms involved in politics is that most work for candidates of one major party or the other—but not both. Beyond the competitive nature of partisan politics, there's a difference in the basic business and workplace culture, too.

Put starkly: "The political space has a moat around it," Jim Walsh, CEO of the Democratic political ad targeting firm DSPolitical, says. "It's 50 feet deep—and full of oil—and on fire!" Because of this guardedness, Walsh says, to succeed would-be political microtargeters from outside this community must at the very least build partnerships with known firms that are experienced in the business.

What is fueling the microtargeting boom?

Unlimited funds ...

The 2010 *Citizens United vs. FEC* Supreme Court decision and a subsequent federal appeals court case, *Speechnow.org vs. FEC*, have allowed, for the first time since 1907, unlimited political ad spending. Specifically, *Citizens United* made it legal for corporations and unions to make unlimited donations to groups explicitly backing or opposing candidates for federal office. *Speechnow* legalizes the creation and use of politically active "super pacs" and 501(c)4 organizations—"social welfare" groups—to spend directly to influence the political process. Prior to these precedents, only the candidates' campaigns themselves could explicitly advertise for or against a named contender in a race—outside groups were forced to stick to other, less direct forms of political advertising known as issue ads.

> ***The market for online political ad spending in all federal contests in the 2008 presidential cycle was $20 million-plus, with the 2012 cycle predicted to reach $160 million or more—600-plus percent growth***

Though unlimited funding garnered in part by microtargeted ad campaigns has strengthened deep-pocketed donors and their influence in the current electoral races, microtargeting at the same time has empowered a plurality of new and different voices—because microtargeting provides new capability to target niche causes that various interest groups have coalesced around. With microtargeted advertising, these—sometimes single-issue—voters are targeted by various types of political advertisers—by everyone from small-spending grass-roots interests and state candidates all the way up to big-spending national campaigns and outside groups.

Under these circumstances, for the first time in a presidential election both major candidates have opted out of taxpayer funding assistance for the general election season—and the spending limits that would come with it. And with no limits or disclosure requirements on money to certain types of outside groups, both candidates are backed by a flood of funding. The world of Web-based political advertising is on track to reach multiples of the size it was just four years ago—and over time it is clear that internet political advertising will gain increased standing alongside broadcast.

By June 2012, fundraising by the presidential campaigns and allied outside groups had surpassed $1 billion, with predictions that by November it would pass the $3 billion mark, and an overall spend in all contests (federal, state and local) to approach $10 billion.[2] The vast majority of the funds spent on the presidential race will be spent on TV, radio and internet advertising. The nonprofit Center for Responsive Politics, which monitors campaign fundraising and spending, reported that by the end of August approximately $51 million had been spent on internet media in the presidential race. This is regarded by some industry sources as a very conservative estimate.

"The best you can say is that 'at least $X million'—as we have listed—has been spent on online ads, and perhaps a lot more," said Bob Biersack, former data guru for the Federal Election Commission and current senior fellow at CRP.[3]

Microtargeting is playing a leading role in all three basic goals of political messaging—fundraising/recruiting, persuasion and turnout

Polarized public ...

Increasing polarization and a nearly evenly split voting public means that to win the presidency, it is critical for candidates to use the latest and best tools, both to mobilize decided voters and to convince a shrinking pool of undecided voters.[4] Recent tracking polls show at most 8 percent of voters remain uncommitted in this presidential race, around one-third to one-half fewer than at this point in the 2008 election. In July 2012, former Clinton advisor Paul Begala wrote in *Newsweek* that by his calculations, the number of *relevant* undecided voters—those who live in closely-split swing states—number just under 1,000,000, total. Political ads and emails crafted and sent with the help of microtargeting are playing a leading role in all three basic goals of political messaging—fundraising, persuasion and turnout. But it is to reach this tiny sliver of the American electorate—undecideds living in swing states—that online microtargeted messages are especially being marshaled.

Trending toward online ...

Some political experts emphasize that the growth spurt in online political ad spending is less about Supreme Court decisions and more about a long-term trend—one that won't reverse even if those decisions do. "It's growing on its own,"

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[2] News stories on this include: "Forget $1 billion, the $3 billion campaign is here, CNN 6/25/12. http://politicalticker.blogs.cnn.com/2012/06/25/forget-1-billion-the-3-billion-campaign-is-here. Super PACs Could Drive Total 2012 Election Spending to $9.8B," AdAge online, 3/7/12. http://adage.com/article/campaign-trail/total-2012-election-spending-hit-9-8b/233155/

[3] As of 8/26/12, for example, the CRP web pages devoted to the presidential contest listed approximately $50 million spent on "online media" in 2012 as well as a further $100 million on "miscellaneous media," some likely also spent online. Disclosures often do not break out online expenditures—among others—in a clear manner, Biersack explained in a 8/21/12 interview with IAB.

[4] "The disappearing undecided voter," Reid J. Epstein, Politico, 8/9/12. (http://www.politico.com/news/stories/0812/79504.html). Epstein emphasizes that with fewer undecided voters to court, both sides of the presidential contest are devoting more money and effort to strategies designed to raise turnout among likely voters who have a preferred candidate. However, other experts—including several interviewed for this report—note that with margins in swing states projected to be very close, in addition to such a "turnout strategy" it must remain a goal of both camps to find and persuade remaining undecideds to vote for their candidate. Microtargeted media—paid and viral—can be used to find and message such potential voters. Frank Newport, editor-in-chief of Gallup, and numerous other experts and news articles, address this other side of the issue—noting the great importance of undecideds in past close elections such as the present one. "Washington Journal," CSPAN-TV, 8/31/12 (http://c-spanvideo.org/program/Undecide).

Michael Cornfield—a political scientist, columnist for *Politico*, and author of *Politics Moves Online*—tells IAB. "As more people are online and more people are using social network platforms like Facebook, Twitter and Google-plus, the market and targetability of Web ads increases. So, campaigns spend more and more of their budgets on Web ads,"

"I think that everyone anticipates this is the one area where growth will be most significant over time," Biersack said of online's future. "If anything, some people are surprised that it's gone more slowly than they expected—there is still so much spending on television."

The reason, Biersack says, is that political campaigners are extremely cautious. They continue to put the lion's share of their resources into television ads, because television ads have historically been the biggest performers.

Just about all political observers note that TV at present remains the best place to reach uncommitted voters. "TV is still the best place to get them in large numbers," says Colin Delany, founder of Epolitics.com blog and a columnist for the definitive campaign journal, *Campaigns & Elections*. "And it's hard to dominate the online media environment the way you can by buying up TV ads in a market."

Finally, some experts note that there is a perception—perhaps unfair—that making online ad buys is complicated. "It's one reason clients often work with ad-buying firms that specialize in online ads," Delany says.

For all of these reasons, while presidential campaign organizations are vastly increasing online ad spending this cycle, disclosures indicate they are reluctant to take anything away from television.

... = Takeoff in microtargeted political ads online

Political guru and University of Virginia political science professor Larry Sabato says that political division, troughs of new post-*Citizens United* money entering the fray and—most of all—growing online political participation linked to new internet-based campaigning methods are driving a robust spend that will continue through November.

> *Television ads, in dollar terms, remain the most popular means of political messaging—in part because TV has unique uses, but in part due to habit and a perception that online ad buys are complicated.*

"While it's not an earth-shattering observation, the biggest factor in web-based politicking is that there is just more of it," Sabato said. "The Obama campaign pioneered many new methods for involving people in its 2008 effort and the 2012 batch of candidates have taken those lessons and run with them. There are more Web ads, 'viral videos,' and social media to entice supporters and potential supporters"

"Obviously, the goal is to get voters to click on links leading to candidate websites, to learn more, volunteer, and get involved—or to fundraising websites, to get donations," Sabato added. "In a sense, the increase in internet media means that there is more and more honey to attract the bees, some of whom are politically active while others are dormant and waiting to be."

"Unsurprisingly, future campaigns will probably use internet advertising even more than they do now," Sabato said. "Nonetheless, TV is still king for the time being, [and] one of the principal goals with web ads is to gain earned media on network and cable news outlets. If you have a notable ad running on YouTube or your website, television networks will want to show it as a part of their campaign coverage."

"It's hard to say when the internet might overtake television," Sabato concluded. "Perhaps when younger generations get older and my generation dies off!"

Privacy issues

Online political messages, including targeted ads—except where permitted and preceded by a voluntary opt-in such as when a person has already donated and identified themselves—are not matched to named, identifiable individuals. Yet in the political space just as in the consumer space, controversy over privacy concerns has cropped up. Some familiar voices have expressed their concerns.

The Annenberg School for Communication, a leading academic concern reporting on all aspects of advertising, in July reported that in a recent nationwide survey, 86 percent indicated that they did not want to be served "political advertisements tailored to your interests."

Joseph Turow, a professor of communications and lead author of the report, said. "Political campaigning is moving in a direction starkly at odds with what the public believes should take place." Turow argues that if targeted ads—and what he calls "deep discomfort" over it—persist, such a situation could "erode citizens' beliefs in the authority of elections."

The concerns reflected in the results of the Annenberg survey—and of online privacy advocates, more generally—may reflect in part unease with new and unfamiliar technology. The IAB is pressing for creating common language and best practices in order to create increased transparency in digital transactions in targeted advertising.

"People involved in political advertising are now in the same boat as the consumer advertisers," Michael Zaneis of the IAB told *Campaigns & Elections*. "The privacy concerns are front and center." While acknowledging the concern, the IAB advocates a program of self-policing by industry, and finding compromise on the issue.

Microtargeting relies on the mashup of online data along with offline consumer and voter data—sorting processes in which political microtargeting ad firms blind or strip out privately identifiable data (PII). Microtargeters must continue to address privacy concerns, and work to develop and meet best practices that will facilitate growth of this field.

Anonymized information, anonymous—yet targeted—audience

"All of the people that we [message] are anonymous to us," Andy Hunn, COO of political and consumer advertising company Resonate Networks, tells IAB. "We don't care who they are, specifically—we just want good examples that are representative of the online population."

"It's so that we can go from what we know about them from surveys, and their online behavior," Hunn continues. "Our algorithms interrogate all that data and tell us where the best place to reach these people is—let's call it, 'whatever.com.' From this kind of information, we can construct the media—and who it reaches—in an optimal way."

It starts with each party stripping out any private information before matching the desired email and cookies to the voter lists or other data, to maintain privacy while permitting accurate service of targeted ads and targeted political emails.

"First of all, when we take our voter file, and we send that off to a match partner, we first blind them to anything other than the generic data," CampaignGrid's Masterson says "So, there can be no data breach at the match partner level, because we don't share what the data fields are all about."

"It's double-blinded," Masterson continues. "We blind the attributes going out to the match partner—except for the personally identifiable information (PII)—so that they can find a match. Then, when we get the cookie match back, the match partner blinds the personally identifiable information to me."

"Even if the FBI knocks down my door and asks, 'Who clicked on the ad in Brooklyn?' I can't tell them—not because I don't want to, but because it's engineered in such a way to not be able to do that, to comply with privacy laws," Masterson says.

Restrictions on unauthorized use of data

Masterson says the contracts and the data exchanges involved in his business are very restrictive—and specifically in order to prevent data theft and protect privacy. This prevents any party to a transaction from either from keeping his company's data or modeling it to create a 'synthetic file' closely mirroring that data. Any use beyond the contracted one is absolutely prohibited.

When considering privacy laws, Masterson says that, in terms of online ads, political campaigns are not interested in individuals or private information—they simply need to create ways of electronically contacting and messaging people that a political client is trying to reach and persuade.

Feltus similarly emphasizes that for microtargeted political advertising that this is an anonymous exercise, in terms of what data is important and used. His and other digital political ad firms simply want to identify pools of email addresses and web users whose online behavior and other interests indicate that a particular ad or message—served or sent out for a fee—is a good bet, and therefore a good value, for their clients.

"You use modeling," Feltus says. "You model this: a set of web users and their opinions. And you go out and you try to match that. That's what microtargeting is."

Privacy concerns are paramount in the industry, but some of the most important data used in the process is publicly available.

"Some of the information used by microtargeters is not private," notes Rep. Gerry Connolly (D-Va.) "Whether you voted or not is public information. Whether you are registered to vote is public information. Whether you've participated in Democratic or Republican primaries over the years is public information."

"Other kinds of information is private—and in my view ought to stay private," Connolly continued. "But this can quickly get us in gray areas. Moving forward, I hope, we're going to have to try to find some rules of engagement that respect everyone's privacy—and their right to privacy."

As the use of offline and online Big Data to improve microtargeting continues to advance, technology and privacy experts will continue to collaborate to ensure that political and consumer data gathering do not run afoul of state and federal privacy laws. IAB will remain a key partner in crafting best practices that should achieve the commonsense goal espoused by Rep. Connolly—one that respects privacy.

Conclusions

In this report, we've focused on the presidential race—and how microtargeting has come to occupy a prominent, and possibly determinative, role in this and future contests. We've described the rapid growth in the use of Big Data and microtargeting in digital political ads—and we have heard from political scientists, technicians and principals in the political microtargeting business about the techniques employed and the reasons behind the industry's growth. We've also offered the best range of figures available at this time on the current and projected volume of online political ad buys.

The market for campaign advertising in 2012, across all contests and platforms, is estimated by industry sources to approach $10 billion. The presidential race should account for roughly one-third of the overall number—about $3 billion. The online portion across all contests, though hardest to gauge, is projected to be in the $160 to $200 million-plus range—a small piece of the pie but at least six times the $20 to $30 million estimated to be spent online in 2008. Despite some limitations on these financial estimates regarding political microtargeting—a business dominated by small, closely held firms—we have enough information to venture several useful conclusions.

There are multiple terms for political microtargeting—including targeting, segmenting, and others—as well as multiple terms for many parts of the process. Arriving at a common nomenclature could facilitate more transparency and ease of transitioning into microtargeting for some political clients.

Online advertising played a role in the 2004 and 2008 election cycles. But now, in 2012, online political advertising buys have grown enormously and for the first time microtargeting has become a crucial, go-to tool for both major presidential candidates and every outside group, for several reasons. First, the presidential contest is attracting more spending—and the present contest is very close and there is a need both to drive a large pool of decided but unmotivated voters and to find and persuade a dwindling number of undecided voters. Second, of course, as the voting public spends more time online microtargeted online ads become a better tool to address specific messaging needs—helped, according to industry sources, by increasingly detailed and economically accessible Big Data that makes the practice increasingly accurate. Third, microtargeting is on the rise in each of the three main functions of campaigns—recruiting and fundraising, persuasion as well as get-out-the-vote efforts.

Our work here invites further exploration of some longer-term questions: What

new angles will microtargeting take—and how is the pressurized world of political advertising leading to innovations in this important niche business, and where might those innovations lead? What legal and privacy issues are facing the industry, and how will they be addressed in future? IAB will be exploring these issues in upcoming reports and online content pieces.

Nathan Abse is a writer and journalist, who has produced content for the Washington Post*, the* London Independent, Foreign Policy*,* Business Briefings *and other publications. He attended the University of Virginia and the London School of Economics, and currently writes for 1105 Media.*

Appendix A: Methodology

This paper was based on interviews with more than 15 experts, including principals and technical specialists at online political advertising businesses—microtargeters—as well as political scientists, data brokers and journalists covering this field.

Appendix B: List of sources consulted (in order of appearance in text)

Rep. Gerry Connolly, D-Va., member, Oversight and Government Reform Committee

Ken Goldstein, VP ad consultancy Kantar Media's Campaign Media Analysis Group (CMAG), a tracker of political ads on radio and TV and the Internet

Jake Rosen, digital and social strategist, Fleishman-Hillard, multinational PR and political consulting firm

Will Feltus, VP of National Media, a GOP political advertising firm

Ravi Singh, CEO of online campaign software website and political ad firm ElectionMall

Rich Masterson, CEO of CampaignGrid, a GOP political digital advertiser and microtargeter

Joel Neubert, Director of Sales for data firm Acxiom's Government Solutions unit

Larry Sabato, political scientist, Director of the Center for Politics at the University of Virginia and nationally renowned media source on elections, and author of Pendulum Swing

Michael Cornfield, political scientist, columnist for Politico*, and author of* Politics Moves Online

Paul Cimino, CEO of Brilig, a cooperative data marketplace and exchange for display ads

Jim Walsh, CEO of the Democratic political ad targeting firm DSPolitical

Travis Ridout, government and public policy professor at Washington State University

Bob Biersack, Senior Fellow, Center for Responsive Politics & former spokesman and data expert at the Federal Election Commission.

Colin Delany—founder and chief editor of Epolitics.com and columnist for Campaigns&Elections

Andy Hunn, COO of Resonate Networks, an online political ad firm and microtargeter

Michael Zaneis, online privacy expert for IAB

Appendix C: List of political microtargeters

The following is a list of just some of the active players in the political microtargeting market. Political campaigns and outside groups also use numerous other microtargeting operations and databases—notably the Catalyst database developed by the Democrats and VoterVault database developed by the Republicans, as well as many other entities not on this list.

Bully Pulpit Interactive

CampaignGrid

DSPolitical

Grassroots Targeting

National Media

Precision Network

Strategic Telemetry

TargetPoint Consulting

Targeted Victory