



CMPLY, Inc.
104 West 29th Street
New York, NY 10001

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Federal Trade Commission
Office of the Secretary
600 Pennsylvania Avenue, NW
Room H-113 (Annex J)
Washington, DC 20580

Re: Alcohol Reports: Paperwork Comment; Project No. P114503

CMPLY, INC., submits these comments in response to the Federal Trade Commission (the “Commission”) request for comment regarding data collection relevant to revising its guidance to self-regulation for alcohol advertising. In the past, CMP.LY has submitted comments to the Commission with regard to challenges in the areas of privacy and disclosure and we seek to highlight the importance of addressing the rapid growth of digital and social marketing channels in this comment.

CMP.LY offers third parties a number of purpose-built regulatory compliance solutions including the ability to create and document required disclosures in short form across social media, internet and text advertisements, as outlined below. The solutions include free tools for individual bloggers and influencers, as well as paid commercial tools for advertisers to document and monitor disclosure policies and activities.

Advertisers face significant challenges complying with disclosure requirements, including providing the fine print and context in messages which flow between individual social media platforms in a manner which can be easily documented and monitored. CMP.LY provides advertisers the ability to communicate directly with their consumers on social networks, and other short form communications, while including required disclosures, providing documentation, audit trails and automated monitoring for compliance with a given disclosure policy.

Given the rapid adoption of social platforms, as well as the increasing trend toward communication platforms with character constraints, open syndication of content to multiple platforms, reliance on advertising revenue models, and, in particular, advertising, marketing and sponsorship efforts which are meant to integrate seamlessly into social networks and intended to spread virally within those networks, we believe that it is vital that the Commission issue clear guidance with respect to the responsible use of these channels in advertising alcohol products.

The expansion of digital marketing beyond email and text messaging, which are largely based upon opt-in and can be more easily screened and verified, social channels present a number of unique challenges as messages are created, promoted and disseminated within networks to users of all ages. Delivering messages in these

environments in responsible ways is possible, but requires a commitment to process and true insight into the nature and use of social networks across devices, platforms and borders.

Therefore, CMP.LY urges the Commission to focus on some of the data that is collected with regard to digital and social channels and to look carefully at the ways that these channels are being used. Under self-regulation or otherwise, we believe that the use of digital and social channels will grow dramatically (as we have seen in other industries) and that the social and direct nature of these channels is likely to pose significant challenges to responsible marketing, if they are not addressed properly. Further, we believe that a closer look at these issues would benefit both the Commission and the industry, providing an opportunity to explore the tools and methods in use today, and to better understand the challenges and opportunities that are sure to come in the future as sponsored content and marketing messages become more seamlessly integrated with influencer profiles and individual messages, Tweets and updates.

The Importance of Digital Communications Today

In the years since the Commission published the original Self Regulation in the Alcohol Industry Report in 1999, the Internet has evolved far beyond an ecosystem where people visit web pages and receive electronic mail to obtain information about products and services. In 2000, less than half of Americans were online and at the time the only way to access the Internet was through a computer terminal. In 2011, consumers across the US and around the world have instant broadband access to the Internet, and not only through computer terminals but built into portable devices such as smartphones, tablets, netbooks and notebooks.

Disclosures and other information must be both accessible and relevant within the context of these new channels of communication and the devices that we use to access them. The artificial limitations of social communication platforms, like the number of characters that may be used, as well as the screen size and capabilities of portable devices present certain challenges for disclosures, warnings, age restrictions or other information to be clearly visible or, in some cases, to be included in messages at all.

Openness and transparency are of even greater importance when such content is integrated with social channels, or targeted and transmitted to mobile devices using geo-location information. The Commission should not limit requirements for advertisers and marketers merely as a result of limitations of third party platforms. Restrictions on space, the design of certain social media tools or the size of a given advertisement space should not, on their own, exempt advertisers from disclosure requirements on those platforms.

Without perspective on the use of digital channels for marketing alcohol products it will be difficult for any regulatory program, industry self-regulation or otherwise, to issue clear standards or to establish best practices. The commission has the opportunity to provide clear guidance for existing and future tools, in light of the significant changes that have occurred since 2000 and in context of today's social web.

Emerging Platforms are Experiencing Unprecedented Growth

Social networking has fundamentally changed the manner in which people communicate. Innovations in social networking focus on real-time, mobile and interactive communication, much of which is in short-form. The rapid and widespread adoption of social media is unprecedented in American history.

Facebook and Twitter are only two of the platforms in the social media space. The recent announcement of Google+ has resulted unprecedented growth of a new player in the social media space. While it took both Twitter and Facebook more than two years to reach the milestone of 10 million users, Google+ has been reported to have passed that milestone in a mere 16 days from public launch and then to have doubled that number again in the following 8 days.⁵ Not one of these platforms existed in 2000 and we continue to see new platforms and technologies developed on an ongoing basis.

Consider the following growth figures for just Twitter and Facebook:

| Twitter | Facebook |
|--|--|
| Nov 2004 - Did not exist | Nov 2004 - Fewer than 1 Million users on a closed platform |
| Nov 2008 - approximately 4 Million users | Nov 2008- approximately 120 Million Users |
| May 2011 - approximately 300 Million users | May 2011- approximately 750 Million Users |

While Twitter and Facebook were both active in 2008, neither had been widely adopted for more than personal use. In the past three years, the role of Twitter and Facebook in politics has drastically expanded. In the United States candidates and political organizations are flocking to the platforms: Candidates from both parties have recently announced their candidacies for President on social networks, Newt Gingrich on Twitter and Barack Obama on Twitter and Facebook. Based on current trends, it is clear that social media will play a prominent role in 2012 elections and beyond.

⁵ <http://goo.gl/S7rNf>

Emerging Platforms are Increasingly Influential in Marketing and Advertising

Advertisers are also embracing social marketing channels to connect directly with consumers in novel ways. Marketing messages within social networks and applications are more deeply integrated into social networks and designed to be both more targeted and less intrusive than traditional ad units. The ability to encounter marketing out of context in social media channels in many ways increases the importance of meaningful disclosures.

The unprecedented growth of digital communication has fundamentally changed the way in which companies market and advertise their goods and services. According to a recent survey, 72 percent (72%) of companies in the United States have a social media marketing strategy.⁶ Social networks have enabled users to connect and share information, and have emerged as sources of news, influence and advertising that leverage the power of “Word of Mouth Marketing” in ways that could not have been imagined just a few years ago.⁷

Social networks have, in a few short years, emerged as a leading media channel. In addition to Word of Mouth efforts, leading social networks have become the dominant player in display advertising as well. According to ComScore, in the first quarter of 2011, Facebook led all online publishers in number of display ad impressions accounting for 346 billion impressions. This was nearly double the number that Facebook delivered in the first quarter of 2010 and accounted for 31.2% (nearly one-third) of all display ad impressions served by online publishers overall in the quarter.⁸

Social networks and communications have proven highly effective for advertisers who rely increasingly on social media to connect with consumers and influencers.⁹ This has proven particularly challenging in the context of advertising and marketing initiatives where disclosure requirements for endorsements and testimonials or other terms and fine print are required. The Commission has revised the Guides for Testimonials and Endorsements as a result of these changes to include social media and Internet channels specifically.

Across social media channels (blogs, web sites, platforms and apps) advertisers have been finding ways to leverage the users who are most influential in the demographic audiences that they are looking to reach. By reaching out to these influencers, directly and indirectly, advertisers are engaging influential advocates with goods, services and payments, to review and promote their products, contests and special offers. Much of the concern raised in the revised guides was with regard to sponsored and incentivized content that is promoted in this manner.

⁶ <http://www.kingfishmedia.com/Portals/51063/pdf/kfm-social-media-usage-2010.pdf>

⁷ <http://pewresearch.org/pubs/2025/social-impact-social-networking-sites-technology-facebook-twitter-linkedin-myspace>

⁸ http://www.comscore.com/Press_Events/Press_Releases/2011/5/U.S._Online_Display_Advertising_Market_Delivers_1.1_Trillion_Impressions_in_Q1_2011

⁹ https://www.borrellassociates.com/reports?page=shop.product_details&flypage=garden_flypage.tpl&product_id=885&category_id=6

Both Twitter and Facebook allow companies to directly market to consumers in a variety of ways. Facebook offers companies pages on its platform for free on which they can connect directly with consumers. Additionally, Facebook sells advertising space to companies that may appear in a variety of sponsored forms. Twitter offers a similar two-tiered system for companies to communicate with its users. Companies may communicate with followers through a Twitter account, or they may pay Twitter sponsorship fees to promote campaigns, brands or individual messages. Plans for the release of Google+ for advertisers are about to be released and other platforms are sure to follow.

Today, Standard Ads make up the majority of ads on the Facebook platform, but Facebook continues to innovate to incorporate advertising and sponsorship of messaging into the fabric of the user experience. While marketers have found standard ads on the platform to be incredibly effective, the types of advertising that are available on Facebook are constantly evolving.

The Facebook “Like” button and Google+1 features have been incorporated not only into the interactive experience on their respective web sites, but also across third-party sites as a means to further engage and leverage the power of social networks to influence increasingly large groups within social groups. Currently, for a user with a material connection, there is no provision to indicate that connection within the related posts, news feeds that contain the message that the user “likes” the brand or in third party sites where the message is syndicated.

Similarly, both Facebook and Twitter offer corporate users the ability to pay to promote certain messages and profiles within the platform and within a user’s network in a prominent position. In addition, a number of third parties offer sponsored Tweets with opportunities to leverage the networks of celebrities and other influencers. These messages are sometimes sponsored through companies acting as agents for Twitter influencers. Most of these require Tweets to be sent through a proprietary dashboard and they rely on a number of ad hoc disclosure solutions including hashtags and [ad] or {spon}.

Companies are also beginning to bypass the Internet to communicate directly with consumers through the use of Apps or mobile applications. An App is a dedicated program that resides on smartphones, tablets, mobile devices and/or computers that are able to connect with the Internet directly without the use of a web browser. With increased adoption of smartphones and tablets, consumers are increasingly reading, watching and sharing content within App environments. Within Apps, there are a number of questions that are raised with regard to small screen sizes, access by minors, privacy and location that are all likely to increase with importance in correlation with mass-market adoption and continued development of these technologies.

As social media and networking platforms mature, additional novel forms of advertising will surely emerge. Disclosures and disclaimers will be even more important as these

messages become shorter, are more seamlessly integrated into social conversations, and appear less like traditional advertising. Across advertising channels, including traditional ads, advertiser disclosures are key to a complete understanding of context and are vital to maintain open and transparent communications. Without disclosures, we run a significant risk of confusion and/or obfuscation of the source of content within social media networks and a strong likelihood that important material connections between the promoters of such content and the original source will be hidden from public view.

Conclusion

We strongly urge the Commission to carefully review and address the issues that advertisers and marketers face in the evolving digital landscape and in social media and networking. We have been working on the forefront of these issues with a mission to help advertisers and influencers comply with disclosure requirements, document their efforts and provide clear and conspicuous methods to ensure that consumers are able to easily understand the context and connections behind the messages that they receive. We appreciate the opportunity to provide these comments to you and we would be happy to participate in workshops or answer any questions that you might have.

Sincerely,

/s/ Tom Chernaik

Tom Chernaik
CEO
CMPLY, Inc.