

House of Commons Science & Technology Committee Inquiry into The Opportunities and Risks of 'Big Data'

Written Evidence by the Internet Advertising Bureau UK – September 2015

1. Introduction

1.1 The Internet Advertising Bureau (IAB UK) is the industry body for digital advertising in the UK. It represents over 900 businesses engaged in all forms of online and mobile advertising, including media owners and advertising technology businesses.

1.2 The IAB's five key objectives are to:

- Prove the value of digital media by delivering 'best in class' industry research and breaking down barriers to advertising spend;
- Enable a trustworthy and responsible medium through cross-industry standards and self-regulation;
- Educate and inspire marketers through intensive learning programmes and thought-leading events;
- Improve ad trading efficiency through measurement guidelines and creative standards; and
- Advocate for an optimum policy and regulatory environment for the market to continue to thrive.

Further information is available at www.iabuk.net.

1.3 The IAB welcomes the Select Committee's inquiry. Our written evidence provides an overview of the UK digital advertising market and its role in the digital economy, how the various business models work, the different types of approaches or techniques that a marketer may use to advertise a good, product or service, and how data is used to make some of these approaches even more relevant to consumers. From an advertising point of view 'big data' is the term used to describe the collection, pooling and analysis of aggregated information to infer people's interests and preferences in order to tailor content and marketing.

1.4 The written evidence also outlines how industry is developing innovative ways to offer greater transparency and consumer control relating to the collection and use of data for advertising purposes and therefore seek to address any privacy concerns. It also highlights the challenge in the context of potentially restrictive new European data protection laws.

1.5 The IAB makes the following recommendations to the Select Committee:

- **UK policy-makers should recognise the benefits of the responsible use of data for advertising purposes to consumers, businesses and the broader digital economy. The Select Committee does this for social media data (including for marketing) in its *Responsible Use of Data* report published in November 2014.**

- **The UK Government should look at any barriers to the effective use of [advertising] data, including new European data protection reforms, and suggest ways that these might be minimised in order to realise the benefits.**
- **Specifically, in its negotiations in Europe on framing a new data protection legal framework, the UK Government should strive to strike a meaningful balance between widely available digital content and services – primarily funded by advertising – and enabling users to safeguard their privacy.**
- **In particular, the potentially more restrictive rules for processing data and its impact on ‘Big Data’. Applying explicit consent to all types of data processing risks making consent meaningless and fails to increase the level of protection for users whilst at the same time making many existing internet advertising business models unworkable.**
- **The UK Government should explicitly support the EU advertising industry’s efforts to provide consumers with greater transparency and control over data to help customise advertising.**
- **The UK Government should actively collaborate with the digital advertising sector in its voluntary initiative to serve the public interest by assisting official alerting authorities to override digital advertising with public service messaging when people are in imminent threat of harm (see discussion in paragraph 3.8).**

2. The UK Digital Advertising Market

- 2.1 Advertising – increasingly underpinned by consumer data - plays a significant role in the internet and its development. It is the lifeblood of the digital economy in the UK, EU and globally. As in traditional media, it is the business model for making (non-publicly funded) content widely available to UK citizens for little or no cost. It pays for much of the content and many of the services online: from search, webmail, social networking websites and price comparison sites, to productivity suites, blogs, video/photo sharing and the majority of news, information and video / entertainment sites. The bill that advertisers pick up has a per annum value of £269 per UK internet household¹.
- 2.2 According to a 2012 report for the Boston Consulting Group, the UK is the world’s leading internet economy with those businesses that engage in online marketing, sales and interactions standing to gain the most². Digital advertising - driven by consumer demand for content and services as well as quicker internet speeds - is the fastest growing marketing medium in the UK outstripping all other advertising sectors. The UK leads Europe in digital advertising and no other country in the world has a higher share of its advertising market (39% of a total £18.55bn) than online and mobile does in the UK³. In 2014, £7.12bn was spent on online and mobile advertising in the UK, a like-for-like increase of 14% on 2012⁴.

¹ ‘The Data Deal – How Data Driven Advertising Benefits UK Citizens’ – IAB UK, October 2014 www.iabuk.net/about/press/archive/iab-launches-data-deal-report-for-uk-policy-makers

² www.bcg.com/media/PressReleaseDetails.aspx?id=tcm:12-100468

³ www.iabuk.net/research/library/2014-full-year-digital-adspend-factsheet

⁴ www.iabuk.net/research/library/2014-full-year-digital-adspend-factsheet

By 2016, Enders Analysis forecast that the UK digital advertising market will represent £9.3 billion of UK advertising spend – 40% of which will be mobile and tablet advertising.

- 2.3 The UK ecommerce market – driven by advertising - contributed £104bn in 2014 to the UK economy⁵. Digital advertising helps power and drive many small businesses, helping them scale up and challenge more established market players.
- 2.4 Research from Ofcom continually illustrates that the UK consumer benefits from world-leading communications. According to Ofcom, UK consumers are the most advanced 'digital citizens' in the world⁶. Over half of all adults now claim to own a smartphone (61%) and take-up of tablet computers has more than doubled from 2012, rising from 12% in 2012 to 29% in 2013⁷.
- 2.5 The IAB believes education is central to better consumer understanding of innovative and evolving advertising techniques (and broader online business models) that aim to provide discounted products, services and applications, and which also underpin high quality content and services. It also enhances informed choice rather than relying on lengthy and legalistic privacy policies that users may not read nor understand. The IAB has spearheaded education initiatives aiming to achieve this. This includes behavioural or interest-based advertising (www.youronlinechoices.eu/uk) as well as a 2013 campaign to make people aware of a small symbol or 'AdChoices' icon in ads to provide greater transparency and control over online advertising preferences (see 4)⁸. 26% of Britons are now aware of this privacy icon, doubling over the last two years⁹.
- 2.6 The evolution of the internet has enhanced the competition for goods and services, reduced prices and boosted consumer choice within the market place. Advertising has facilitated this, helping drive commerce. The RaceOnline 2012 'Manifesto for a Networked Nation' found that offline households are missing out on an average of £560 savings per year and that everyone should seek to inspire people to get online to reap the significant economic benefits¹⁰. IAB UK research discovered that six in 10 people online believe they can live more cheaply because of the internet¹¹.

3. How does it work?

- 3.1 The internet and digital platforms (including mobile and other connected devices) offer advertisers a wide range of different approaches to market their products and services. In terms of advertising spend the three main approaches are: 'search' (eg via a search engine such as Google or Bing); 'display' (eg ads that you see on a website) and 'classified' (ie similar to the listings in a newspaper).
- 3.2 Advertising on digital platforms today is targeted to reach the right audience and to maximise the return on the marketer's investment. Primarily this has five main forms:

⁵ www.imrg.org

⁶ <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/icmr08/>

⁷ <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr14/uk/>

⁸ www.iabuk.net/about/press/archive/consumers-gain-greater-control-over-targeted-online-ads

⁹ www.iabuk.net/about/press/archive/new-research-shows-growth-of-eu-industry-initiative-to-give-consumers

¹⁰ Manifesto for a Networked Nation July 2010 – RaceOnline2012

¹¹ www.iabuk.net/about/press/archive/consumers-say-the-internet-would-disappear-without-ads

- a. Contextual advertising:** This is where advertisements are served within a chosen 'context' by the selection of a website (eg a banner ad) or search engine query on a particular topic and therefore assumed interest. An example: a user is shown an advertisement for lawnmowers because he or she is visiting a gardening-related website. No user data, personally identifiable or otherwise, is collected from the consumer or used in order to deliver this type of advertising. The relevant information is taken from keywords identified in the context by the context creator (ie user).
- b. Demographic advertising:** This is where advertisements are served based upon specific information provided by the user (ie gender, age, location). An example: a teacher living in London who has registered on a jobs website is shown advertisements for teaching opportunities in London on the website but not necessarily in the teaching section. It is worth noting that some information provided by the user may be segregated, retained and used without being able to identify (and associate with) an individual.
- c. Content marketing:** Often called 'native' advertising, this can take many different forms. In essence, this is advertising that fits neatly within the surrounding look and feel of the site or app. This is often content-based and is therefore more relevant to the user. However, this type of marketing needs to be clear and transparent and the IAB has recently published market guidance to help businesses assist consumers in spotting this to comply with the law and the Committee for Advertising Practice (CAP Code)¹². Native and content advertising spend – including paid for sponsorships, advertisement features and 'in-feed' distribution – was £2.27m in 2014, accounting for one fifth of digital display ad spend¹³.
- d. Behavioural advertising (also known as interest-based advertising):** This identifies large groups of users with similar interests based upon shared attributes, such as previous web browsing activity over multiple sites in order to provide more relevant advertisements. This type of advertising operates without data being collected that directly identifies a user, rather by using device identifiers such as cookies. An example: a user's device is served with advertisements about golf equipment because the user has – over a period of time – visited different golf websites. An example of how this works is shown at www.youronlinechoices.com/uk/about-behavioural-advertising. The underlying business model and technology for this type of advertising can vary but they are most commonly browser-based and infer a user's interests from ads clicked on, content viewed and searches made.
- e. Retargeting:** This is where a specific user interest is derived from their interaction with a single site and adverts relating to the content viewed are served to the same device when a user visits other websites on that device. Thus the user is 'retargeted' on other websites and this allows the creative to be dynamic and more personalised. Like behavioural advertising, the adverts are served in real-time using intermediaries operating under contract to the advertiser / agency. For example: a user is offered a discount deal on a pair of shoes on a separate site following their visit to the site displaying the viewed shoes.

¹² www.iabuk.net/about/press/archive/iab-launches-guidelines-to-provide-greater-transparency-in-native-digital

¹³ www.iabuk.net/research/library/2014-full-year-digital-adspend-factsheet.

- 3.3 Dynamic advertising creative combined with automated trading of inventory (known as 'programmatic trading') now enables customised advertising to be selected and delivered in real-time. In 2014, 45% of all digital display advertising was traded programmatically¹⁴.
- 3.4 The digital display advertising value chain is a complex one with many different players. Very simply it can be separated into a 'buy' (ie the advertiser) and 'sell' (ie the web publisher / app provider) side. Advertising intermediaries broker or facilitate the selling of media and operate under contract to the advertiser / agency.
- 3.5 In terms of the legal framework and regulatory oversight, the activities of behavioural advertising and retargeting involve the collection and use of data – some of which may include personal data - and as such may be subject to the UK Data Protection Act 1998 (as well as the recently revised Privacy and Electronic Communications Regulations 2011) and are regulated by the Information Commissioner's Office (ICO). In addition, the industry has developed EU-wide good practice to provide greater transparency and user choice and control (see 4).
- 3.6 Some businesses offer many of the below services but – in a nutshell - the following business models make up the display advertising value chain:
- **Advertiser** – a company or brand that sells a product or service and runs advertising campaigns to promote that product or service. The advertiser is ultimately responsible for the creative messaging and deciding which creative is served to which user / group of users. The advertiser also contracts (sometimes via an agency) with intermediaries to buy inventory.
 - **Advertising Agency** – a company that works with advertisers to create campaigns to promote that advertiser's product or service. This includes a creative agency that develops the creative messaging, campaign concept, branding, and look and feel of the campaign.
 - **Advertising Agency Trading Desk** – a team within an advertising agency that works with a Demand Side Platform (see below) technology to buy inventory for campaigns. Independent Trading Desks also exist.
 - **Demand Side Platform** – a technology company that provides a centralised platform for advertisers to buy inventory from multiple advertising exchanges (see below). This technology may be integrated within the Trading Desk itself.
 - **Advertising Network** – a technology company that aggregates the supply of, and sells, ad inventory to advertisers / agencies on multiple websites.
 - **Advertising Exchange** – a technology company that acts as an open market place for the selling of advertising inventory. Sometimes these will be private (also known as a 'private advertising marketplace') with a group of select advertisers and agencies.
 - **Data Management Platform (DMP)** – a company that pulls together information from multiple sources and builds user 'segments' based on interests (eg car buyers).
 - **Sell Side Platform** – a technology company that works with publishers / app providers to help maximise the money received from selling advertising on the publisher's site.
 - **Web Publisher / App Provider** – a company that owns and operates its own digital property (website, app) and, in this context, sells advertising on the property as a revenue stream.

¹⁴ www.iabuk.net/research/library/media-owner-sales-techniques-2014-most.

- 3.7 The IAB has produced a short video to help explain how the display advertising market operates, including how information is traded and exchanged. This is available at: www.iabuk.net/video/the-evolution-of-online-display-advertising.
- 3.8 Life-saving innovations have originated from advertising technology companies in recent years. For example, the Federation for Internet Alerts (FIA) has many IAB UK member businesses who participate in relaying alerts for serious events such as child abductions or the imminent threat of a tornado or other hazard. Alerts are displayed immediately using the latest information from official authorities. FIA's emergency alerts override or overlay other online advertising to display this urgent information to the geographic areas impacted. Its mission is to be a responsible facilitator for internet technology and services collaboration among companies, non-governmental organizations, and alerting authorities to promote standards-based, all-hazards, all-media, authoritative alerting to individuals in societies worldwide. FIA's members are able to do this without gathering or using personal data that directly identifies an individual, and in association with the public alerting functions. It is an example of the digital advertising sector using 'big data' to the benefit of those in physical danger.

4. Addressing Consumer Concerns: Greater Transparency and Control

- 4.1 The IAB acknowledges that the collection and use of consumer data (such as web browsing and other information) could potentially raise issues relating to consumer privacy. In April 2011, building on an US initiative and the development of good practice in the UK, EU advertising and media trade bodies published good practice for all EU and EEA markets to enhance transparency and user control for online behavioural advertising.
- 4.2 The initiative is based upon seven key principles:
- i. **Notice:** Transparency about data collection and use practices associated with behavioural advertising, providing consumers with clear, prominent and contextual notice through multiple mechanisms, including an icon in or around advertisements linked to further information and control mechanisms.
 - ii. **User choice:** Greater consumer control over behavioural advertising. For example, via www.youronlinechoices.eu.
 - iii. **Data security:** Appropriate data security and retention of data collected and used for behavioural advertising purposes.
 - iv. **Sensitive segmentation:** Limitations on the creation of 'interest segments' to specifically target children and on the collection of sensitive personal data collected and used for behavioural advertising.
 - v. **Education:** For consumers and businesses about behavioural advertising and the self-regulatory Framework.
 - vi. **Compliance and enforcement:** Mechanisms to ensure the effectiveness of the Framework, including a trading seal to be granted to compliant businesses once independently audited and which demonstrates to other businesses that the holder adheres to the obligations under the Framework.

- vii. **Review:** Regular review of the Framework to ensure it evolves with developing technology and business practices. For example, EU advertising and media bodies are currently working on adapting the existing principles to the mobile environment.

A copy of the EU industry Framework can be found at: <http://edaa.eu/european-principles/>.

- 4.3 At the heart of this work is a symbol or icon (see below – often known as the ‘AdChoices’ icon) that appears in or around the advertisements on sites, as well as on site pages themselves. When a user clicks on the icon he or she will be able to find out more about the information collected and used for this purpose. In 2014, 160bn icons were delivered by approved providers across Europe. One trillion icons were delivered globally in 2014, giving consumers significantly opportunities to manage or control their online advertising preferences.



- 4.4 The icon also links to ways for internet users to manage their interests, such as via privacy dashboards or ad preference managers. It will also link to a pan-European website now available in 33 different EU languages – www.youronlinechoices.eu – with helpful advice, tips to help protect privacy and a control page where you can turn off behavioural advertising. There are nearly two million unique visitors to www.youronlinechoices.eu every month. The UK version of the website is at www.youronlinechoices.eu/uk. Further information on the initiative is available at www.iabuk.net/policy/briefings/updated-iab-factsheet-may-2014-online-behavioural-advertising.
- 4.5 Several campaigns – including in the UK, Ireland, Germany, France, Greece, Portugal and Sweden - have sought to raise awareness of the icon. Recent research by the EDAA and privacy solutions provider, TRUSTe, suggests that awareness of privacy tools in on the increase. For example, one in 25 European citizens have visited www.youronlinechoices.eu to find out more about how online ads are targeted to interests¹⁵.
- 4.6 The EU industry initiative is administered by the European Interactive Digital Advertising Alliance (EDAA) www.edaa.eu. The EU advertising industry will shortly announced how it is adapting these principles for the mobile environment.

¹⁵ www.edaa.eu/edaa-news/new-research-shows-foundations-for-growth-of-european-industry-initiative-that-gives-consumers-transparency-control-over-advertising-choices.

5. Agreeing Proportionate New European Data Protection Law

- 5.1 The IAB supports the need to update data protection law in light of the technological changes since 1995 to provide European citizens with a strong level of protection and accountability, and welcomes streamlining the rules to make them more efficient for businesses operating across multiple territories.
- 5.2 However, there are two key aspects of the draft EU Data Protection Regulation – still unresolved in ongoing discussions - that pose a genuine threat to the future of digital advertising businesses:
- i. **The extended scope of personal data.** This would, in effect, cover almost every piece of data that is collected and processed in a digital environment. This binary approach applies regardless of whether the data collected is personally sensitive, identifies you as a person or is aggregated to help improve or tailor content or services to the consumer.
 - ii. **The proposed requirement to obtain explicit consent for the processing of personal data.** Were this to be the only legal basis available to digital businesses it would require consumers to navigate through numerous ‘hoops’ to reach the service or content that they wish to access or view.
- 5.3 A combination of these two requirements would have significant effects on the digital advertising industry. It is generally accepted that data that singles out but does not identify a user (as is used in digital advertising) enhances privacy. Data controllers have to invest in order to collect and process data in this way and create additional privacy safeguards (for example, minimising the amount of data processed). By having a single definition of personal data the draft Regulation treats all data the same way and does not create incentives to invest in privacy enhancing measures.
- 5.4 Where digital advertising players act as third parties and have no relationship with the end user (and so cannot practically obtain consent), explicit consent would not be a workable legal basis to ensure the long- term scalability and viability of their business models in Europe. For those with a more direct relationship with the end-user, this requirement would most likely result in a more ‘logged-in’ online environment. This would cause a fundamental shift away from how the digital ecosystem operates today.
- 5.5 Applying explicit consent to all types of data processing fails to follow a risk-based approach. Treating the most sensitive of data exactly the same way as non-sensitive data does not increase the level of protection for users and actually disrupts the user experience. For example: users would face multiple requests for consent and could get in the habit of consenting without consideration which would result is explicit but meaningless consent. Indeed, requiring explicit consent creates an economic incentive for collecting more data by forcing log-ins to prove compliance with the requirement, effectively achieving the opposite of what the proposed regulation seeks to do.

- 5.6 The proposed reforms therefore take a blanket approach to regulating data that would create significant legal uncertainty for many internet business models. They would pose a significant barrier to any business that relies on the analysis of sets of data, rendering them unworkable and, at worst, illegal. Today's advertising models would be severely impacted, depriving many web publishers and small businesses with much needed revenue, as well as compromising the development of future business models.
- 5.7 The proposed legislation is expected to be concluded in late 2015 / early 2016. However, the UK Government needs to continue its work in the implementation of the Regulation – particularly where requirements may be delegated to Member States – to ensure the availability of practical guidance for businesses.

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