



# The Data Deal

How Data Driven Digital Advertising Benefits UK Citizens



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## Foreword

“The future of advertising is the Internet” so said Bill Gates at the IAB’s inaugural Engage conference in 2005. He wasn’t wrong.

Back then advertisers spent £1.4 billion online. Fast forward to today and the industry has gone on to become the largest advertising medium in the UK, representing a 35% of the overall advertising market. Indeed according to our annual Ad Spend study, conducted by PwC, advertisers spent £6.3 billion on digital advertising last year. By 2016, Enders Analysis forecast that the UK digital ad market will represent £9.3 billion of UK advertising spend – 40% of which will be mobile and tablet advertising.

The UK digital advertising market is unique – owing in large part to UK citizens, who are advanced in their use of digital media. According to Ofcom, over half of all adults now claim to own a smartphone (56%) and take-up of tablet computers has more than doubled from 2012, rising from 12% in 2012 to 29% in 2013. In a further study, 57% of UK consumers regarded personal internet access as essential.

At the heart of digital advertising sits data. It is the foundation upon which this industry is built. Data helps drive effectiveness and efficiency for the advertiser, revenue for publishers investing in content and services, and ultimately relevant advertising for the consumer. According to AOL’s CEO Tim Armstrong, in 2004 the industry generated 300 million data driven advertising decisions per day. By 2015 he anticipates this will rise to one trillion decisions per day. Unsurprising then, when asked at the IAB UK’s most recent conference about his priorities, WPP boss Sir Martin Sorrell said ‘data’.

In order for industry to continue to thrive, we need the trust of consumers. Trust is a delicate thing. That is why the IAB and its member businesses invest in giving consumers more transparency and control over their advertising data. It’s also why we’ve continuously cautioned for a balance to be struck in how this environment is regulated in the future. In our view it is imperative that the citizen is empowered, but that businesses can carry on offering the services, applications and content that consumers have come to expect – if not demand – and that the data-driven industry that supports this continues to flourish.

When it comes to digital advertising we’ve really only just begun: the innovation of technology will deliver even greater effectiveness and efficiency. In this paper, we’ll set out how digital advertising, driven by data – brings benefits to UK consumers.

Guy Phillipson, CEO, IAB UK

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# 1. A World of Digital Content, Services and Applications – But Who Pays?

*“Who is in charge of the distribution of bread in London?”*

From the point of view of the Soviet Union official, who asked this of the economist Paul Seabright in the 1980s, it was a straightforward question, but the answer foxed him. Nobody, it just happens.

So too the content and services on the Internet have been largely organised by market forces, driven by consumer demand. What is available to UK consumers is vast. Video, gaming and music sites, as well as the written word (newspapers, blogs, etc) and services like email, price comparison sites and search engines.

The Internet is user friendly because companies find profit in organising and producing content and offering online services to the consumer at either little or no cost. In the main, they operate business models based on advertising.

On top of the cost of broadband, the bill that advertisers pick up has a per annum value of £269 per Internet using household in the UK. This figure was calculated by dividing the amount of money spent on digital advertising in the UK in 2013 (£6.3 billion) by the number of UK web using households (23.4 million <sup>1</sup>). The amount that advertisers spend on this medium is expected to increase, with forecasters predicting this advertiser spend for 2014 to have grown by approximately 18.6% <sup>2</sup>.

In a Censuswide survey on behalf of Ebuzzing, 98% of individuals said they would be unwilling to pay their share (a per person rate of £140 p.a.) to have access to an Internet without advertisements <sup>3</sup>. The Guardian asked the same question via a poll on their website and discovered that 69% of their (skewed upmarket, heavier Internet using) website visitors would not pay that amount either <sup>4</sup>. Generally, people would rather the advertiser pay.

McKinsey estimate that if Internet users were required to pay instead of advertisers, as much as 40% of them would not access the Internet <sup>5</sup>. Losing around 40% of Internet users would have a big impact on cost per person. The bill would need to be split between considerably less people and would almost double per person.

“ The bill that advertisers pick up has a per annum value of £269 per internet household in the UK. ”

In this scenario the equality of Internet access would suffer. A recent study by the Reuters Institute for the Study of Journalism found that those more willing to pay for online content (in this instance, news) tend to be older and more upmarket than the average person reading news online <sup>6</sup>. Such people tend to be heavy users of the Internet in the first place. Likewise comScore figures confirm that lighter users of the Internet tend to be older, less affluent and in regional and non-urban locations <sup>7</sup>. They would be the ones most likely to withdraw from the Internet should they be required to pay instead of advertisers.

comScore estimate that light users of the Internet make up roughly 50% of users. Heavy users make up only 20%. They estimate that the 20% of heavy users account for 61% of the time spent online. If that is taken into consideration and the 20% were required to pay 80% of the amount advertisers pay then 9m people would each need to pay £427 per person per year. No small sum.

Are Internet users grateful to advertisers? On the basis of evidence, it isn't something they think about day-to-day but most Internet users can make the association between advertising and free content. According to the IAB's sponsored content report 86% of people who use business, entertainment and general news sites are aware that the free content they view online is made possible by online advertising <sup>8</sup>.



Perhaps what we don't appreciate is what McKinsey points out; "Our key finding is that user benefits from Web services are large - very significantly larger than the advertising revenues earned from providing those services". They estimate the consumer service surplus is more than three times revenue from ad-based services. "In other words the scale of online advertising revenue significantly underscores the massive value consumers derive from the online services they use." <sup>9</sup>



## 2. What Underpins Digital Advertising?

Given the wide variety of content, services and applications that are consistently available, across different devices and locations, how can advertisers be confident that their advertising is reaching the right – or indeed the appropriate – audience? How too can site owners sell advertising space (inventory) at a premium to continue to run a high value, low or no cost service to its users?

Through understanding audiences, advertisers and their technology partners are able to deliver the right advert, to the right audience, at the right time. A simple explanation of one form of data value exchange is advertiser paid for search results in a search engine. A consumer provides data, in this case inputting a search query, and in exchange for receiving thousands of relevant search results, they are also targeted with paid-for relevant results too. These are clearly marked out as paid for advertising. This kind of contextual advertising is helpful to the consumer, to the advertiser and helps the owner of the platform make money for the upkeep and innovation of its service.

But contextual advertising cannot always be procured for all types of digital media. Consider a traditional news or entertainment site. It may have legacy content available as well as news of the day. For content that is niche and therefore doesn't receive so many views as premium content, how can a publisher make that advertising space attractive to an advertiser, particularly as a subscription model may not work in such an instance? Or indeed how is it physically possible to buy and sell the media space when there is simply so much of it and advertisers are overwhelmed with choice? The answer lies in the availability of data, and the ability of companies to use this data to drive efficiencies.

“ Through understanding audiences, advertisers and their technology partners are able to deliver the right advert, to the right audience, at the right time. ”

In the early days of digital advertising, as in other media, companies would have bought media in person (via fax, email or over the phone). Over time the vast volume of content and services available rendered this personal approach to media buying impractical and unrealistic. In order to deal with this publishers and advertisers worked with third party companies to package up advertising inventory on the one side and adverts to be bought and sold on the other. For example a series of travel sites selling their advertising space to a network which specialises in travel advertising. It could also mean advertisers bidding for audiences that are likely to find the content of their advertisement of interest irrespective of what the advert is placed next to, e.g. a group of consumers whose browsing activity suggests they may be in the market for a holiday. In a complicated trading market, it could mean adverts are sold to sites both by the content that sites hosts, or served to a specific audience group. This is commonly referred to as 'behavioural' or 'interest-based' advertising. To achieve this relies on the collection and use of data, for intermediary third parties to deliver this advertising to the right audience groups, to measure the effectiveness of the advert for clients, to ensure that the advert doesn't appear against inappropriate content, and to cap the frequency that the advert isn't seen too many times by a consumer.

If these third party advertising intermediaries were unable to use data how would the content, services and applications of the Internet as we know it be affected? Quite simply intermediary companies would not be able to do the job of driving efficiency for clients by delivering relevant advertising to the consumer. As a result the premium that publishers, services and applications currently derive from advertising would be severely impacted. Ultimately we would see the availability of free-to-use services start to disappear and businesses would have to consider new ways of deriving income. This would particularly impact those offering niche or diverse content or services – or those start-ups seeking to challenge established competitors. Potentially this could add further burdens to the consumer, either financially, or with the sharing of further data.

### 3. Data and Relevant Advertising: The Consumer View

How do people feel about their data being used in this way? According to research conducted by Kantar Media on behalf of the IAB, consumer attitudes to their online privacy are dependent on a range of factors, such as age and internet usage <sup>10</sup>. As such people vary in the amount of confidence they have online and therefore whether they understand or trust how their data is being used.

The Tinder Foundation, awarded a 2012 grant from Comic Relief, developed an online money management course for over 55s who had little confidence online. They were shown how to find financial advice on the Internet and how to use resources like price comparison websites. Of the learners who took part 70% were worried about online safety and 76% were worried about paying too much for things like electricity and knowing the best deals <sup>11</sup>.



That people had both of these concerns is not untypical. McKinsey reported this about the way people express concern about both online safety and missing out; “While the majority of users face advertising and privacy issues, the value they obtain from using Web services, separate from the value of access, is six times larger than the value they are willing to expend to avoid advertising disturbance and privacy risks. In practical terms, for each euro an Internet user is willing to spend to limit privacy and advertising disturbance, the user gets a value of six Euros from using current ad-funded web application services” <sup>12</sup>.



In the case of the people on the Tinder Foundation course, 80% felt more informed about Internet safety and 90% reported the course to be successful in giving them both knowledge and savings.

Some people are very savvy about the use of their data. Microsoft, The Future Laboratory and IPG ran a research programme amongst people with high online confidence <sup>13</sup>. They identified a trend they called ‘Value Me’ which is about a growing number of people who understand how their data is used by advertisers, with a sense of what that data is worth. 48% were aware that their data was valuable to marketers and 30% knew how to exchange data for rewards. 45% were willing to sell all of their digital data to the right brand at the right price.



Ultimately, the choice is not one between data collection and no data collection. The choice is one between data collection and relevant content. Given the battle content providers are fighting to attract enough advertising revenues, it might even be a choice between data collection and having a varied range of content providers working hard to produce relevant and interesting content.

“ The value [people] obtain from using web services, separate from the value of access, is six times larger than the value [people] expend to avoid advertising disturbance and privacy risks. ”

A study by Coleman Parkes showed that 75% of their respondents (20 to 40 year olds) agreed they appreciate brands/companies that customise messaging and offers to be personally relevant <sup>14</sup>. Research by Ebuzzing showed that people are very willing and able to skip or avoid online video advertising but the top reason they give for watching the ones they do is 'relevance to me' <sup>15</sup>.

Data Science have demonstrated that, unless data is used effectively to understand who has already been exposed to a certain advertisement, as much as 30% of an advertisers campaign budget can be served to 1% of potential customers <sup>16</sup>.

People demand relevant advertising. At a time when consumers are so well served by many online sources of news and entertainment they will vote with their feet. As one user said about online advertising in a Guardian comment section, "It's just not THAT annoying, is it? If I ever go to a site where the advertising is massively OTT and intrusive and it annoys me, then I just won't use that site again".

## 4. Benefiting from Online Competition

The story of Internet advertising is one of the creation of a 'long tail' of small sites each taking a small portion of advertising revenue. Some are local sites, some are niche interest sites and some go on to realise grander ambitions.

They have been able to launch because the online medium is one with low costs of production and delivery. These new sites and platforms bring variety and new points of view. They challenge traditional media brands like the newspaper legacy brands; all of who now count sites like BuzzFeed and Vice in their competitive set.

Advertising revenues keep these new sites afloat but it is far from plain sailing. Content sites struggle to take enough advertising revenue in a competitive market. Even traditional media brands, caught in a disrupted market, battle to generate enough advertising revenue. They may also rely on the revenues generated by their non-digital products, where digital advertising plays another important role. Some have turned to paywalls to bolster their digital revenues. For example, The Times has erected a paywall around their website and it costs over £300 a year to subscribe. A subscriber continues to receive advertising on [thetimes.co.uk](http://thetimes.co.uk) but the paywall reduces the publisher's reliance on advertising revenues.

Spotify, an innovative European music streaming platform, operates on a 'freemium' model. Consumers can either opt to pay a subscription, or a free to use version which is supported by ad revenue. The streaming service therefore allows consumers the opportunity to test out the benefits of the platform, before deciding whether or not to pay and helping the service to get off the ground. Advertising is crucial in helping to drive subscription.

“ There is a long-tail of ad-funded websites trying to compete by producing content and services that are as relevant and appealing as possible. ”

Analysts like those at Enders and McKinsey think the market can only sustain a few sites that charge for access. The Reuters Institute tell us 7% of Britons pay to access news online and a further 7% say they see themselves paying for online news in the future <sup>17</sup>. Other newspapers, like The MailOnline, are seeking global audiences in order to increase their attractiveness to advertisers.

From the public's perspective the pressure felt by content providers is not necessarily a bad thing as long as a delicate balance is maintained and those content providers survive. The pressure focuses minds on delivering value and variety to Internet users. If any shake down is so great that both established media brands and new challenger brands disappear or are consumed by bigger beasts then variety and value will suffer.



A paper by Hwang and Kandar describes what will happen if the balance tips. They warn of, "The formation of highly monopolistic or oligopolistic market structures for advertising, since only the largest companies will have the scale of advertising inventory necessary to remain profitable. Smaller companies that are especially reliant on advertising will have difficulty remaining profitable and will face incentives to sell to companies with larger aggregate volume to sell" <sup>18</sup>.



## 5. Freedom of Movement – Enhanced Democracy

Online audiences can easily move between open websites to find the best content, therefore content producers have to work a lot harder to appeal to people than they needed to, pre-Internet.



Publishers refer to this greater freedom of movement between publisher websites as ‘unbundling’. A report called Post Industrial Journalism describes how it came about:

“[Non-digital] Publishers typically engage in horizontal integration, bundling hard news with horoscopes, gossip, recipes, sports. Simple inertia meant anyone who had tuned into a broadcast or picked up a publication for one particular story would keep watching or reading whatever else was in the bundle. Though this was often called loyalty, in most cases it was just laziness – the path of least resistance meant that reading another good-enough story in the local paper was easier than seeking out an excellent story in a separate publication. The web wrecks horizontal integration. Prior to the web, having a dozen good-but-not-great stories in one bundle used to be enough to keep someone from hunting for the dozen best stories in a dozen different publications. In a world of links and feeds, however, it is often easier to find the next thing you read, watch or listen to from your friends than it is to stick with any given publication. Laziness now favors unbundling; for many general interest news sites, the most common category of reader is one who views a single article in a month”.<sup>19</sup>



The ad funded Internet is like an encyclopaedia for users; or like a library around which they can freely move.

One welcome bi-product of unbundling is that people have become more exposed to and are learning to seek opposing points of view. This is illustrated by looking at the crossover between readers of The Guardian and The Telegraph in print form and in website form <sup>20</sup>.

Within a week:

|   |     |
|---|-----|
| Guardian newspaper readers who read The Telegraph newspaper | 14% |
| Telegraph newspaper readers who read The Guardian newspaper | 13% |
| Guardian website readers who read The Telegraph website     | 27% |
| Telegraph website readers who read The Guardian website     | 36% |

These newspapers are traditionally positioned at either end of the political spectrum. The crossover of readers is greater online and it suggests that it is not just like minded groups from similar backgrounds who read each website.

The lively reader comments under the articles also suggest this isn't the case. They can be both punchy and thoughtful. They can also be as enlightening as the articles themselves and often challenge the writer's assumptions.

“ The ad-funded internet is like an encyclopaedia for users; or a library which they can freely move. ”

Such debates are not small scale. The Huffington Post, for example, generates 25,000 comments per hour from the 11 territories within which it operates. It is genuine debate and 70% of comments are in response to someone else's comment. Their CEO, Jimmy Maymann says the aim is to use "news to start conversation" <sup>21</sup>.

A public that reads the news is beneficial to a democracy. A public that reads about the news from a broad cross section of sources and engages with online debate can only benefit that democracy further. What is more, the Internet engages the young. Online news is more likely to be the main source of news to young people than TV news <sup>22</sup>.

## 6. The Internet is Social, Social is Personal

Adding to this 'unbundling' trend is social media. People increasingly select content via ad funded social media platforms. To use news as an example again, within a week 17% of adults in the UK come across news stories via social media <sup>23</sup>. Increasingly social platforms rival news media home pages and search engines as the first port of call online. In fact, noting that, search engines and publishers have started including a social element within their functionality and publisher home pages.

From a user's perspective social media helps them to discover very relevant content. For example, a new parent who uses Twitter might use it to discover the latest content produced by peer to peer advice site Mumsnet, new articles by journalists who write about family matters, parenting videos, offers by local businesses and baby-care brands as well as posts by other parents in her area.

“ Within a week 17% of adults in the UK come across news stories via social media. ”

The way social works makes the Internet experience even more personal, local and relevant for people. Imagine a magazine edited with just you in mind. In fact some ad funded online services like paper.li and Flipboard pull together content from social media streams to create something akin to your own online magazine.

## 7. Relevant Content

In a bid to be more relevant to more people, content companies find themselves producing a lot of extra content. This puts a lot of pressure on those content companies. Again, pressure that doesn't break the market creates competition in the market - and that benefits the Internet using public.

Because of the demands of the Internet The Telegraph now produce 600 articles a day of which only a third made it to print <sup>24</sup>. The CEO of The Huffington Post cites the twin demands of search and social as the reason they create 1,600 new articles a day; "social media has changed the pace" <sup>25</sup>. In the TV world companies are now producing content that can only be accessed online.

Content companies are diversifying and launching ad-funded services for their audiences. Local media group Archant has launched ad funded services for local people like PlanningFinder - a planning application search site, StreetLife – a locally focussed social network and WeddingSite which gives users access to wedding planner tools.

It is more important than ever that content producers understand whom they are writing for and where and when to capture their interest. To enable them do this they are using audience data.

They might, for example, ensure a piece of content reaches people who have shown an interest in that topic before. The Huffington Post have used their data to identify that parenting articles are most read around the time small children have been settled down for the night. They now publish and publicise such articles around that time <sup>26</sup>.

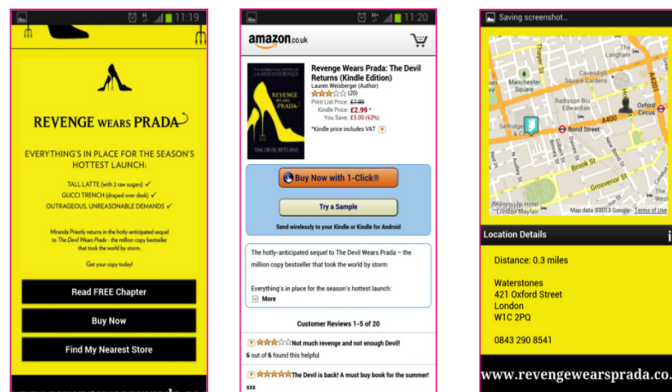
Similarly, BuzzFeed use audience data to see what kind of content works on different platforms. Some articles are more popular when accessed from mobile devices and, armed with that data-derived knowledge; they can target such content at mobile devices <sup>27</sup>.

## 8. Spending and Saving Money

The digital medium makes it easier to ascertain whether the advertised product is good value and right for you. It allows consumers to be more considered and careful. IAB research discovered that six in 10 people online believe they can live more cheaply because of the Internet <sup>28</sup>.



Both sides of this coin are neatly illustrated by an advertisement for a Harper Collins book <sup>29</sup>. The ad appeared on bus shelters, which doesn't sound like digital advertising but in this day and age bus shelter ads can interact with smartphones. Ads can be scanned into mobile phones and the user continues their interest from there. In this case, people could immediately buy the book or download chapter one, for free, to their mobile. Try before you buy.



“ Six in 10 people online believe they can live more cheaply because of the internet. ”

These two factors work together to create an environment within which people are stimulated to spend more money – but spend it more wisely too. One academic paper found that, in general, advertising does increase demand but it also makes us more value conscious <sup>30</sup>. This creates an almost paradoxical situation where people spend more but save more too. They get more for less.



Online Centres UK found that “Online retail creates opportunities for both sellers and consumers. While consumers benefit from savings online they also spend on average 20% more online than they do offline”<sup>31</sup>. Grocery shoppers, for example, don’t need to worry about carrying it all home so can make more use of bulk buy discounts.

Another example of how consumers might spend more but save more is the cash back site. If somebody wants to make a purchase online they can first visit a cash back site and then visit the retailer after that. The retailer pays the cash back site for the referral of a paying customer. The cash back site then passes on some of that payment to the customer. Getting money back is an incentive to spend.



The Advertising Association researched the effect of this digital bargain hunting (and the role of ad funded sites in driving it) on high street sales, “[The] process of online research followed by retail purchase accounted for £54 billion in high street sales in 2010 of which an estimated £33 billion can be attributed to advertising-funded sites. It is likely that most of these sales would have occurred in the absence of the internet, with the additional research primarily helping consumers buy their eventual purchase at lower prices. Consumers’ benefit by an estimated £1.6 billion of savings on their purchases each year as a result of research of offline purchases carried out on advertising-funded sites”<sup>32</sup>.



The rise in the use of smartphones has increased the extent to which consumers mix high street and online shopping. People can compare the price of an item they’re viewing in one shop with the price of similar items in other shops by using their smartphone there and then.

In a sense, this practice is similar to the ‘unbundling’ of publishers’ content, described earlier in this report. The Internet means publishers and retailers can no longer hold consumers purely in their own environments anymore. They are at much greater liberty to pick and choose what suits them.

People like that kind of liberty. Research in America shows that 21% of consumers are using mobile devices like phones or tablets while shopping in stores, mainly to check prices, read reviews or search for online coupons<sup>33</sup>.

Retailers are responding by working with the trend. For example, Click and Collect means people can order online but come into the store to collect (and pick up last minute items or be tempted by in-store offers). Some offer discounts to people using

mobile vouchers in-store. A study for Accenture found that 64% of 20 to 40 year olds would welcome text messages while in-store from that company alerting them to offers matching their buying preferences <sup>34</sup>.

They might publicise their offers through mobile apps like Foursquare. The Foursquare app uses GPS location data to enable users to receive offers for shops, restaurants etc near to where they might be.

This kind of location based targeting allows small, local businesses to better compete with bigger organisations with national advertising budgets.

These tactics may well be working. Deloitte recently reported a 45% increase in the influence of mobile on in-store sales in the last year. They found that **“not only are people using mobile more likely to purchase, their basket value, the value of their transaction, will increase as well”** <sup>35</sup>. Internet enhanced shopping helps people buy more for less and this is now the case when they are out on the high street too.

## 9. Evolution and Opportunity - 'The Internet Entrepreneur'

Often we refer to the impact of the Internet as a revolution, the overthrow of one way of life for another. It is easy to forget that The Internet is evolving and, with that evolution, new opportunities for disrupted markets are emerging. Equally, we are often too quick to diagnose the Internet as the sole reason for a market's disruption in the first place.

The rise in out of town shopping was already disrupting the high street in the eighties and early nineties. Later, eCommerce emerged at scale and added more pressure. However, in the latest evolution of the Internet, retailers have found opportunity as well as threat. As described previously, mobile, geo-targeting and the creation of communities are all opportunities. Internet users simply get out more!

“The open, ad-funded internet...gives people the confidence and ability to work for themselves and contributes to the growing trend in self-employment in the UK.”

Similarly, newspaper circulations were in decline way before the Internet was in common use. The Professor of Journalism and media commentator, Roy Greenslade believes; “the most profound change since the 1980s, the period that marks the major circulation turning point for nationals, is the twin phenomenon of a fragmentation of society and a fragmentation of media”. The Internet placed more pressure on news providers but it also ensures journalism reaches a wider, more varied audience.

The Harvard Business Review describes the Internet's role in disruption like this, “The very technologies that likely disrupted the legacy industry in the first place are the same ones devoted practitioners are using to forge new supply chains and digital platforms for a more efficient, better connected version of the old market. The same disruption is driving both the decline and, later, the re-emergence”.



The example the Harvard Business Review writers point to is the re-emergence of artisanal goods. "It's thanks to new digital tools such as Etsy, an Internet marketplace selling hand-made goods from around the world; and Kickstarter, the "crowdfunding" site that mediates donation funding for a range of products and services, that these artisans can now find and serve their tiny, global markets of customers. These are segments that would have been impossible for individual artisans to organize in a cost-effective way before the rise of the Internet and electronic communication tools that cut out expensive middlemen and asset-heavy enterprises" <sup>36</sup>.



Etsy not only provides a global shop window it also makes use of the interactive nature of the Internet. It helps artisans build reputation and trust by allowing sellers and buyers to rate each other. It also has an online forum within which artisans can ask questions and learn about business from each other.

Sites like Etsy help people in many countries work and support themselves as artisans. Of all Etsy users in the US, 88% are women. 97% work from home and 74% consider their Etsy shops to be businesses, not hobbies. A fifth said that it was their full-time job. Etsy believe they are part of a trend, particularly among women and under-30s, towards work with flexible hours, based on a personal interest and done at home <sup>37</sup>.

The Internet does not just help online sellers find buyers, it also helps them source materials and find the software and services they need to work effectively online. Online services include ad-funded, free access portal Web Retailer, which covers software and services for online sellers. The site gives online sellers free access to original content, market research an online community, directory and email newsletter.

The open, ad funded Internet provides an amazing array of free advice and tools to help people set up their own businesses, manufacture on a small scale and find customers all over the world. It gives people the confidence and ability to work for themselves and contributes to the growing trend in self-employment in the UK. It also creates a market for quality goods, made in Britain.

## 10. Conclusion and recommendations

The UK leads the world in advertising, driving the digital economy, and creating a commercial environment for businesses – large and small – to succeed. Data makes this advertising more effective and relevant, and helps to pay for the content and services. With the possibilities brought by advertising data, we are only just at the beginning of the digital revolution that is bringing huge benefits to the lives of UK citizens.

Policy makers and legislators should therefore keep in mind the following when considering any regulatory approach:

1. Advertising helps to pay for the free and open Internet. If it did not, it is likely that many people using the Internet today would not continue to do so or would use it far less. Equality of access would take a backwards step.
2. Data provides greater audience insight and therefore makes advertising more valuable to those investing in content, services and applications. It also helps advertisers be relevant too – and they will pay more to content providers for the privilege. Without the relevancy brought by data, consumers will continue to see advertising but this advertising will be less relevant to their likely interests.
3. When consumers understand the data value exchange - of data in return for more relevant advertising and better services - they are far more comfortable with data use by advertising companies.
4. This is further supported when consumers understand the controls that are available to them to take control over their privacy. The industry's initiative to provide users with greater transparency and control for behavioural interest based advertising seeks to underpin this approach. See [www.youronlinechoices.eu/goodpractice](http://www.youronlinechoices.eu/goodpractice).
5. The advertising funded internet enhances democracy and freedom of speech by giving people a louder voice, as well as helping them consume, create and access information wherever, however and whenever.
6. Data-driven digital advertising underpins diversity on the internet, supporting organisations and businesses offering niche products and services to citizens. It also helps people to connect with their communities.

7. Data-driven digital advertising helps promote and stimulate competition in content and services. More content is being produced than ever and more attention is being paid to what Internet users want.
8. Digital advertising fosters greater choice, helping people to obtain better value for their money. Consumers are aware that online services can help them to save money. The fear of missing out on what the ad-funded Internet can offer is often a greater driver of people's online behaviour. Price comparison sites, online calculators, customer reviews, relevant advertising and more empower consumers to find value for money.
9. The ad-funded Internet is driving commerce and reshaping how we shop both on the high street. The Internet disrupts the status quo in favour of consumer needs. It can be used to enable opportunities for retailers, big and small. That artisans and small retailers can compete is testament to that. That high street retailers can attract Internet users with offers is also proof.
10. Digital advertising fosters greater innovation and entrepreneurship. The ad-funded Internet will evolve further and open up more opportunities. The UK's citizens should benefit more than most. The proportion of UK ad spend that is digital is higher than in many other countries, the UK has vibrant media and tech industries and the language of much of the Internet is English.

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