

Digital Advertising In The UK: Sustaining A Successful Industry

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1. Introduction to IAB UK

IAB UK is the trade association for digital advertising, made up of over 1,200 of the UK's leading brands, agencies, media owners and technology providers. Our **Board** is comprised of 25 leading businesses in the sector. Our purpose is to build a sustainable future for digital advertising, a market that was worth £16.47 billion in the UK in 2020.

The IAB is actively engaged in working towards the optimal policy and regulatory environment to support a sustainable future for digital advertising. We also develop and promote good practice to ensure a responsible medium.

Any questions? We're here to help. Get in touch or visit us at iabuk.com

2. Introduction to digital advertising in the the UK

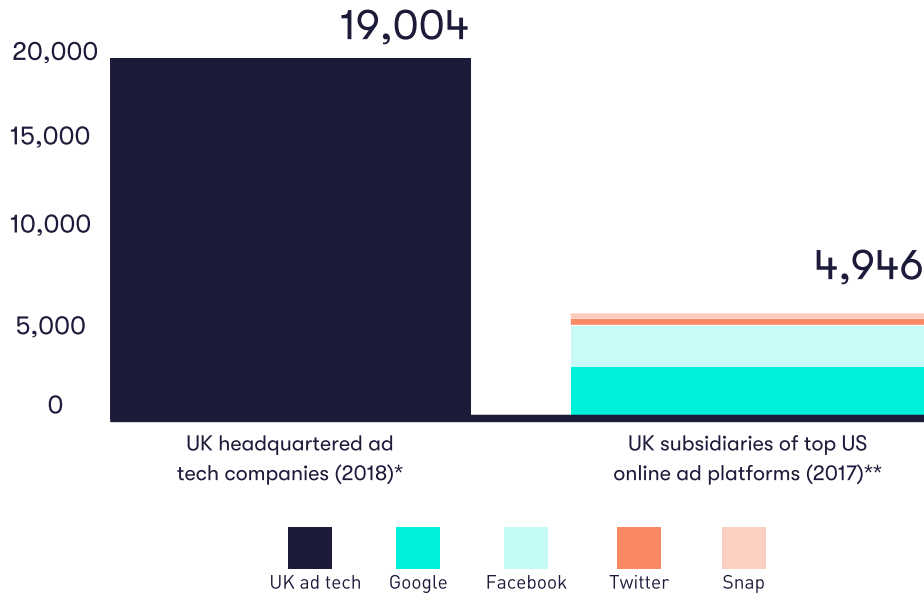
We live in a digital world. The internet has transformed how we work, shop, share, stay in touch and stay informed. It's given rise to new industries, democratised information and unlocked innovation – and all of this is possible because of the advertising that supports our free and open web. In the UK, we have a world-leading digital advertising market that empowers businesses to grow, big and small, and underpins a significant part of our economy. The creativity and technological advancements that digital advertising is fuelling are significant, while at an individual level, allowing people to benefit from ad-funded content and services. In this document, we set out how digital advertising works, the value it offers and what's next for this essential industry.

The UK digital advertising market is a huge success story, which was worth £16.47 billion in 2020.

Over half of all advertising spend in the UK is now spent online, and the UK leads Europe: our digital advertising market is larger than the next three combined. The market contributes directly to the economy, with every £1 spent on advertising contributing £6 to GDP according to Advertising Association research.

The UK ad tech sector - more than 300 UK-headquartered companies providing the technologies that allow advertising to happen online - has attracted more than £1 billion in investment since 2013 and employs nearly 20,000 UK workers, almost four times as many as the largest advertising tech platforms in the UK combined.

UK employees by type of online advertising employer



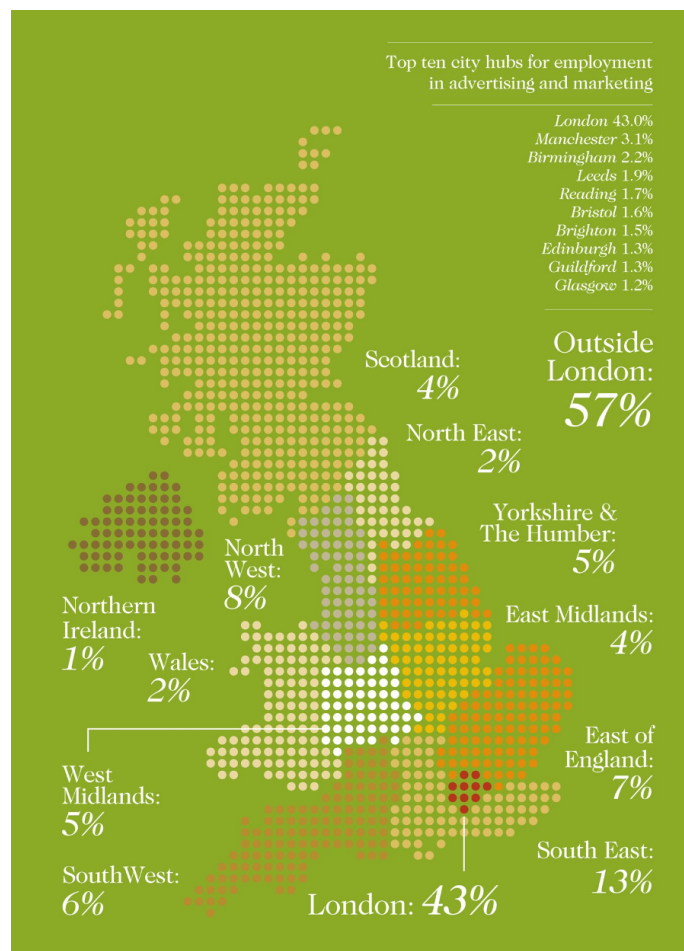
Source: AA/Credos - Advertising Pays 7: UK Advertising's Digital Revolution
Beahurst, Companies House, Enders Analysis

*Enders estimate based on Beahurst data (October 2018)

**Latest companies house filings, reported figure in early 2017 for Snap

Top ten city hubs for employment in advertising and marketing

Regional and city breakdown of the UK advertising and marketing workforce



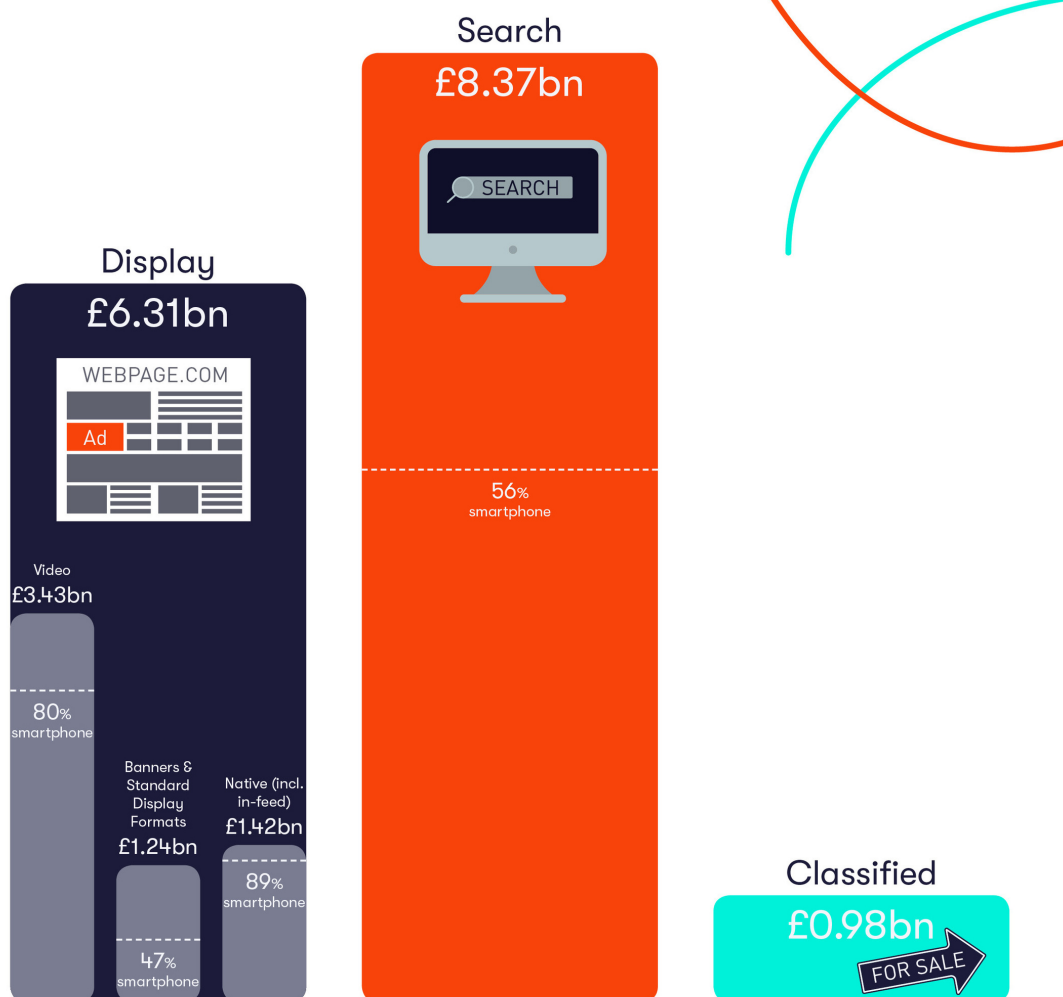
Source: The Advertising Association - Advertising Pays 6: World class talent, world class advertising. AA/Credos/LinkedIn

How it works

- Digital advertising helps large and small companies across the country find new customers and markets at a fraction of the cost of traditional forms of advertising.
- This advertising helps media owners and service providers fund their products and services.
- A huge range of companies make up the digital advertising industry, from the very largest organisations to the smallest SMEs. They work across the different types of online advertising, including search, banners, video, native and classifieds.

Total UK Digital Adspend Full Year 2020

£16.47bn total spend



'Display' ads are those that appear in specifically designated areas on websites or apps. This includes static or video banner ads, native advertising (e.g. ads in news feeds), sponsored content and pre-roll videos.

'Paid for search' ads are the sponsored listings next to online search results, and make up around half of all online advertising in the UK.

'Classified' ads are those that typically include offers or requests for jobs, property, used goods and online auction-based listings.

What is programmatic advertising?

'Programmatic advertising' is the automated process of buying and selling digital ad space ('inventory') using technology and data. It connects buyers (advertisers or their agencies) to sellers (publishers or media owners) to better deliver relevant ads to people, and it does this in a fraction of a second as a web page or app they are visiting loads up.

This generates income for publishers and media owners by helping to efficiently sell all their available ad inventory, delivering relevant ads to the right person, at the right time, in the right place.

Advertising can be bought or sold programmatically in two ways:

Direct is when advertisers use automated processes to buy advertising space (inventory) directly from a particular media owner they have a pre-existing relationship with. So, rather than having to arrange in advance to buy specific ad space, it can be bought automatically within prearranged parameters, pricing limits, etc. Many advertisers use this method to buy advertising on social media.

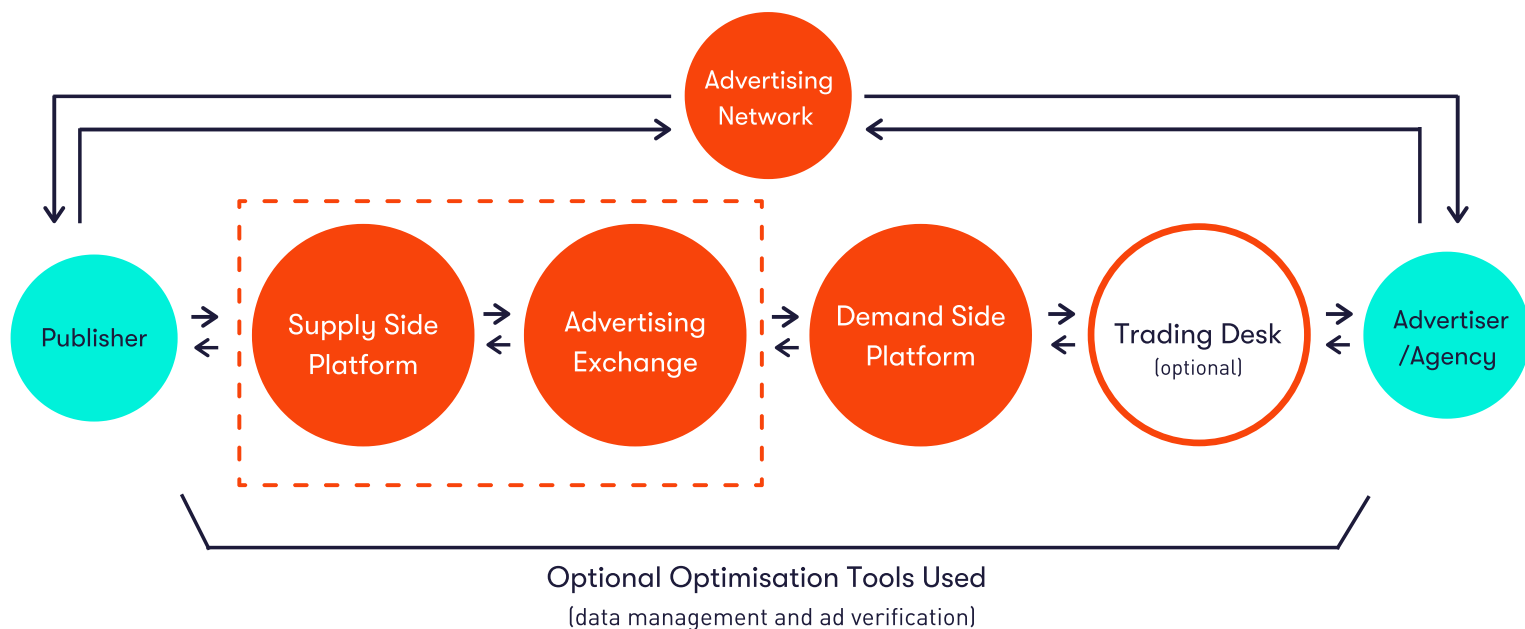
Indirect is when inventory is bought in real-time through an unreserved auction. This process is known as 'real time bidding' and enables the valuation of and bidding on individual ad impressions in real time. The buying takes place through online media exchanges – basically, media marketplaces – which connect sellers (publishers and media owners) to buyers (advertisers or their agencies) via intermediaries, without the need for a prearranged agreement or relationship between them.

The programmatic auction process



The digital advertising supply chain

The digital advertising supply chain is made up of advertisers and agencies that are connected with media owners via intermediary or 'ad tech' companies, plus companies that provide tools and services such as targeting, data management, brand safety, verification and anti-fraud.



- **Publishers** or 'media owners' are organisations that own websites, platforms or apps with advertising space. They sell this advertising space in order to fund the production and provision of their content, products or services. Their 'inventory' is the advertising space they make available to buy; each individual 'ad space' is an 'impression'.
- **Supply Side Platforms (SSPs)** are providers of software that allows publishers to manage and sell their ad inventory automatically via a single, centralised platform. An SSP typically aggregates ad inventory from multiple publishers into one place, and then makes it available to buy programmatically by integrating with advertising exchanges.
- **Advertising exchanges** are the virtual marketplaces where advertisers (via their DSPs) and publishers (via their SSPs) 'meet' to trade ad inventory. In practice, this function is typically provided by the SSP.
- **Demand Side Platforms (DSPs)** are providers of software that allows advertisers to bid for and buy ad inventory programmatically from multiple supply-side sources (via advertising networks and exchanges) in a single platform.
- **Trading desks** are services that specialise in digital advertising media buying and audiences, handling the day-to-day management of ad campaigns. They can be independent companies or sit within an agency used by the advertiser.
- **Advertisers** or 'brands' are organisations that want to advertise their brands, products or services. Advertisers range from multinational household name brands to the smallest local businesses.

Alternative buying method

Advertising networks purchase ad inventory from publishers, package it according to the targeting needs of advertisers and then make it available for advertisers to buy.

Optional optimisation tools

A **Data Management Platform (DMP)** is a platform to collect, store and organise data into usable segments for use in campaign targeting. The DMP typically integrates directly with a DSP, making those data segments available for advertisers to target or exclude certain audiences more effectively (e.g. ensuring children are not shown adverts for alcohol).

Ad verification tools can be used to optimise the digital ad buying process. They provide technology and data that can help to:

- Manage '**brand safety**' by preventing adverts from appearing next to unsuitable online content.
- Report on '**viewability**', measuring whether adverts had the chance to be seen (e.g. if an advert is loaded at the bottom of a webpage but the user doesn't scroll down that far, it would not be 'viewable').
- Protect digital advertising budgets from being impacted by **fraud**.

You can watch an overview of the digital advertising supply chain [here](#).
You can get more information on any of these technologies [here](#).

3. Benefits of digital advertising

Beneficial to society

As well as its obvious economic value to the UK (over £15 billion in 2019) and its indirect economic contribution, digital advertising has a critical role in helping to fund digital content and services. This allows people to read the news, search for jobs, use an online map or talk to friends online for little or no cost.

Most people rely on digital services, and they are able to access many of these for free because of advertising. Alternative funding models for many digital services or products include paid-for subscriptions or requesting contributions. Some people can afford to pay for multiple subscriptions for news, products or services, but many cannot.

Advertising has a democratising impact on the internet; it allows all users access to a limitless breadth of information for free, as well as products and services that are essential to their everyday lives.

Beneficial to companies

Digital advertising enables advertisers to deliver the right advert, to the right audience, at the right time. 'Behavioural' or 'interest-based' advertising provides brands with the ability to reach their target audiences, wherever they are online. For example, they can show their advert to a person whose browsing activity suggests they may be in the market for a holiday, despite them currently visiting a recipe website. Online advertising allows brands to target and reach wider or more specialist audiences, that would be difficult to reach in an efficient and targeted way through other media, without spending their budget on advertising to people who aren't their target audience. It also allows smaller publishers to find advertisers that are interested in their audience who they might struggle to find otherwise, enabling them to fund their content.

Targeting and excluding audiences

The more accurately a brand is able to target or exclude a specific audience from seeing its advertising, the more efficient and effective their advertising campaigns are likely to be.

Digital advertising allows advertisers to both include and exclude certain audiences from seeing particular ads using a combination of first party, third party and inferred data. These techniques are used for both commercial purposes, to deliver relevant advertising to the right audience in the most effective and efficient way for brands, and also to meet regulatory or legislative requirements by excluding specific audiences from being targeted (e.g. ensuring children are not shown alcohol ads).

Effectiveness

Digital advertising has been shown to provide value to advertisers, both on its own and as part of cross-media advertising campaigns.

This ability to reach broad audiences in a targeted and flexible manner means digital advertising is effective at delivering value for businesses. McKinsey research found that digital media contributed to profitability, revenue growth and gains in market share for the average company. Digital advertising also gives advertisers much more creative flexibility than is possible with a pre-booked TV, radio or print campaign.

IAB UK-commissioned analysis demonstrated online display advertising was effective at raising brand awareness, positively shifting brand perceptions, educating people about a brand and driving purchase intent.

Lower barriers to entry for SMEs

SMEs generate nearly 40% of UK economic turnover but many limit their advertising spend because of concerns over cost.

Advertising online can be far less costly than other forms of media, and so can be more budget-friendly for SMEs, presenting lower barriers to entry. This is partly because it is possible to run very small campaigns aimed at narrowly-targeted audiences, such as those in the local area, rather than needing to buy a fixed or minimum amount of media, or pay for more coverage than is needed (e.g. in regional media). Digital advertising also offers performance-based formats that the business only pays for if the ad delivers an agreed outcome, such as a visit to their website. Small businesses are increasingly using digital advertising to establish themselves and grow their brand awareness as they are starting out.

IAB UK research suggests 3 in 5 SMEs are currently using paid-for digital advertising, and 7 in 10 believe communicating with customers is more important than ever in times of crisis. SMEs also benefit disproportionately from using advertising; every £1 spent on advertising by an SME has eight times as much impact on sales as it would for larger firms, according to the Advertising Association. Following research into SMEs' experiences of using digital advertising, the IAB has created a tool that provides tailored and jargon-free advice, guides and case studies to support small businesses. Read details and view the tool [here](#).

People value digital advertising

The vast majority (89%) of people say they would prefer to have free access to an internet with advertising than have to pay for online services, according to IAB UK research. And the same research shows people aren't just putting up with ads because they have to: one in two people say online ads are useful and one in four prefer online ads to those on TV or radio. Of the things that people find annoying online, slow connection speeds topped the list with only 4% people mentioning advertising.

With 91% of UK adults being recent internet users in 2019, there is obvious value in an ad-funded online model, allowing everyone to access information and services for free. IAB UK research suggests 84% of people agree they would be "furious" if they had to pay for online services every time they used them.

While some can afford subscription charges, many cannot and the societal effects of basing access to online services on financial means shouldn't be underestimated.

4. How digital advertising is regulated

Self-regulation

The UK's regulatory framework for advertising is based on the rules set out in the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing (the CAP Code). This Code is written and maintained by the Committee of Advertising Practice (CAP) which is made up of representatives of advertisers, agencies, media owners and other industry groups, including IAB UK.

What the rules cover

The CAP Code covers advertising in all non-broadcast media, and includes both paid-for space and non paid-for space under a marketer's control (a brand's own website or social media page, for instance). The CAP Code sets out what can and cannot be advertised, to whom, where and how, and must be followed by all advertisers, agencies and media. It includes general rules that require advertising to be responsible and not cause offence or fear, mislead or exploit a consumer, as well as specific rules for certain products and services. There are also strict rules covering advertising to children and age-restricted products like alcohol or gambling.

How the rules are kept up-to-date

The Code is regularly updated to reflect new legislation, concerns and technology, something which its non-statutory footing means can be done with far more speed and agility than a statutory Code would allow. This is particularly valuable in a fast-moving area like digital advertising, where new technologies, companies and business models develop swiftly.

How the rules are enforced

The Advertising Standards Authority (ASA) is the independent body that has enforced the CAP Code and dealt with complaints about advertising since 1962. The ASA aims to ensure advertising across all media is 'legal, decent, honest and truthful' and has a legal backstop.

The CAP Code assigns primary responsibility for advertising content and decisions about targeting to the advertiser, whilst engaging media owners or advertising intermediaries to help remove non-compliant ads where an advertiser has failed to act. The system ensures that industry has a strong stake in maintaining a robust and effective system to ensure a high level of consumer trust.

Funded by industry

Unlike a statutory regulator that would be paid for by the public via government, this system is free to the taxpayer, funded instead by industry through a levy on UK ad spend.

This system of self-regulation, funded by industry and recognised as effective by government, has a strong history of developing and adapting quickly to new challenges created by emerging technologies and advertising formats.

Statutory regulation

Online advertising in the UK is also subject to various pieces of statutory regulation. In the UK, the use of personal data is regulated by the Information Commissioner's Office, which enforces the statutory requirements set out in the General Data Protection Regulation (GDPR), the Privacy and Electronic Communications Regulations and the UK's Data Protection Act 2018. The Competition and Markets Authority enforces the statutory requirements of the Consumer Protection from Unfair Trading Regulations 2008, and Trading Standards acts as the legal backstop for the industry's formal system of self-regulation of advertising content and placement (the CAP/ASA system).

Additionally, brands must comply with legislation specific to the products or services they are advertising (e.g. financial services abiding by the Financial Services and Markets Act 2000, enforced by the Financial Conduct Authority).

Industry initiatives

As well as the formal system of self-regulation through the ASA and CAP, there are various other industry-led initiatives that work to uphold standards in digital advertising. Together, these fill the gaps where the law does not or cannot reach, often going beyond what the law requires.

IAB UK Gold Standard



The IAB wants the UK to represent an exemplar in digital advertising for other countries to admire, follow and emulate so that the UK maintains its leading role in this sector. The IAB UK Gold Standard programme is helping to drive up standards, by accrediting companies that implement existing cross-industry initiatives that address four main challenges. Gold Standard certified companies have demonstrated their commitment to recognised best practices that:

Increase brand safety by obtaining TAG Brand Safety Certification which demonstrates adherence to auditable practices that minimise the risk of adverts appearing in places the advertiser has specified they want to avoid

Reduce advertising fraud by implementing technical solutions that increase transparency to show every company involved in the sale and placement of an advert, and create a public list of authorised sellers for publishers

Improve transparency about how personal data will be used by adopting the Transparency & Consent Framework which helps companies comply with the GDPR and ePrivacy law

Improve the advertising experience for people online by complying with the Better Ads Standards that eliminate annoying and disruptive ad formats

Since its launch in 2017 the Gold Standard has evolved to keep pace with changes in digital advertising and to include more stringent criteria for compliance. Version 2.0 was launched in September 2020. Additionally, brands are now able to pledge to actively support the Gold Standard's principles by prioritising working with Gold Standard-certified companies. Demand and support from advertisers is crucial to the effectiveness of the programme and ensuring that those companies that commit to investing in responsible practices are recognised and rewarded in the marketplace.

The Gold Standard has had a demonstrable impact in driving and maintaining industry adoption of its component initiatives, and has been praised in Parliament by Lords Communications and Digital Select Committee Chairman, Lord Gilbert of Panteg.

Transparency and Consent Framework (TCF)

The TCF is the global cross-industry programme that helps digital advertising companies to comply with the transparency and consent requirements of GDPR and ePrivacy law. It is the only cross-industry framework of its kind that allows publishers and their advertising partners to communicate with people in a common language about how their data may be used for the delivery of relevant online advertising and content, as well as enabling them to exercise choice and control over that use.

The TCF is essential to the digital advertising ecosystem: it enables publishers to continue to work with the advertising intermediaries who help them to monetise the production and provision of their content and services, and it means that those intermediaries, who don't have a direct relationship with individual user, can communicate with people about data use via publishers. The long-term goal is that this standard will be adopted widely by all players that process personal data used in the third-party digital advertising ecosystem.

The TCF is designed to be an evolving, iterative standard and version 2.0, delivering improvements that benefit consumers and publishers, was implemented in summer 2020. It will continue to be updated as the common interpretation of GDPR evolves.

AdChoices programme



The AdChoices icon is a consumer-facing, interactive symbol that appears in or around interest-based adverts on websites and in apps, as well as on site pages themselves. Users can click on the icon to find out about the information that is collected and used to show them ads, how online advertising is used to support the sites and services they use, and how they can manage or control their online advertising preferences.

Run by European Interactive Digital Advertising Alliance to enhance transparency and user control for online behavioural advertising, over 162 billion icons were delivered across Europe in 2019.

5. The future of digital advertising

A world-leading, interconnected market

The digital advertising industry is a huge success story for the UK, and rapid innovation has led to it becoming one of the most advanced and sophisticated advertising markets in the world. This innovation means all advertisers - from single-person microbusinesses to the largest multinationals - are able to utilise new technologies that make finding and reaching their customers more efficient, more effective and easier than ever before. One result of this incredible rate of innovation has been the development of a complex and interconnected advertising market which, with a variety of ad tech companies offering specific and sometimes very technical services, can be difficult to understand from the outside.

The nature of this market was set out effectively in the recent DCMS-commissioned study, '[Online advertising in the UK](#)'. That study explained the interconnected makeup of the digital advertising ecosystem, which is typically comprised of intermediary companies operating in the supply chain that are reliant on partnering with other companies to facilitate the delivery of ads. This means that a myriad of co-dependent UK businesses risk being adversely affected if external interventions that directly or indirectly apply to the digital advertising market - even those intended only to impact the very largest players - are designed without proper consideration of how the supply chain works, and of how they could therefore impact the companies in the wider industry.

The risks of disparate policy-making

This is crucial, given that in recent years multiple government departments and public bodies have simultaneously explored a range of policies that impact digital advertising, both directly and indirectly. As a relatively new and fast-moving industry, it is both natural and welcome that policy-makers focus their attention on it. However, the often disparate approach to policy creation can be ultimately unproductive, with multiple departments or bodies having limited coordination or assessment of their cumulative impact on the industry, or of whether their various policy goals are aligned. This approach also fails to provide regulatory certainty or stability that businesses need to succeed, particularly in the current economic climate.

It is crucial that policy is founded on clear and robust data and evidence, and takes account of the varied size, nature and role of the thousands of companies that work together in the UK to deliver digital advertising in practice. The temptation to design policy or interventions that focus on the way that some of the larger companies work, without consideration given to how the rest of the market functions and could be impacted, should be resisted. Policy solutions need to be technology-neutral.

The need for an evidence-led approach

Policy solutions should also be developed in an evidence-based manner that identifies the nature and scale of the challenges that need to be addressed, their causes and consequences, and options for how they could be solved - including where industry-led approaches could expand or evolve to do so. This means engaging widely with, and listening to, the full range of companies in the industry - which we as IAB UK are here to help facilitate.

Through doing this, the UK can ensure a robust and proportionate regulatory framework that utilises the wealth of world-leading industry and self-regulatory expertise in the UK. Where issues with 'bad actor' organisations cannot be addressed via self-regulation, which by its nature is only effective at ensuring the 'good actors' operate according to given rules and standards, it is right that approaches involving the relevant law enforcement bodies are explored.

By adopting this approach, and working together, we can foster a sustainable future for digital advertising in the UK.

Get in touch

Fill in our [contact form](#)

Email us on policy@iabuk.com

Call us on [020 7050 6969](tel:02070506969)