

Call for evidence on sustainable high-quality journalism in the UK

Background

IAB UK is the trade association for digital advertising, representing over 1,200 of the UK's leading brands, agencies, media owners and technology providers. We have a **Board** comprised of 25 leading businesses in the sector, including news media brands. Our purpose is to build a sustainable future for digital advertising, a market that was worth £11.55bn in the UK in 2017.

The IAB is actively engaged in working towards the optimal policy and regulatory environment for the digital advertising market to continue to thrive. We also seek to promote good practice to ensure a responsible medium.

Our submission focuses primarily on this question in the call for evidence:

What has been the impact of the operation of the digital advertising market on the sustainability of high-quality journalism in the UK?

- 1) Can digital advertising revenues support high-quality journalism in the future, as print advertising has done in the past?
- 2) How does the digital advertising market affect the ability of news publishers to monetise content?
- 3) Does the digital advertising market influence what news people see and if so, in what ways?
- 4) What changes might be made to the operation of the digital advertising market to help support and sustain high-quality journalism?

The growth of the UK digital advertising market

Digital advertising is:

- Online advertising viewed on a desktop PC or laptop, accessed via an internet connection
- Advertising that has been specifically tailored and served on a tablet device, accessed via 3G, 4G or wifi
- Advertising that has been specifically tailored and served on a smartphone device, accessed via 3G, 4G or wifi

It comes in different categories and formats:

Formats	Categories
Display (these can appear in any online environment: websites, apps, social media)	<ul style="list-style-type: none"> • ‘Banner’ ads (e.g. at the top or side of a webpage) • Video • Content (paid-for sponsorship, advertisement features) • Native (in-feed & native distribution units, e.g. ‘recommendation engines’)
Search	Sponsored or promoted listings in search engine results
Classifieds	Listings for jobs, property, cars, tradespeople, etc.
Other	e.g. audio, lead generation

The Mediatique research report for DCMS¹ includes data on digital advertising expenditure in relation to news publishers, which in turn draws on data from the annual IAB UK/PwC Adspend study that measures the size of, and trends in the digital advertising market in the UK.

The IAB has measured the size of the digital advertising market in the UK in conjunction with PricewaterhouseCoopers (PwC) since 1997, based on media spend. The IAB’s Adspend data feeds into the Advertising Association/WARC Expenditure Report (data from which is also contained in the Mediatique report) that covers the whole UK advertising market.

In 2017, £11.55 billion was spent on UK digital advertising. The market grew by over 14% on a like-for-like basis (versus 2016) and now exceeds 50% of the total UK advertising market.² This figure breaks down as follows:

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/720400/180621_Mediatique_-_Overview_of_recent_dynamics_in_the_UK_press_market_-_Report_for_DCMS.pdf

² <https://www.iabuk.com/adspend/full-year-2017-digital-adspend-results> (please contact policy@iabuk.com for access to the full report)

Figure 1: Digital Advertising expenditure 2017

Type	Spend in 2017	Share of the market
Display	£4.18bn	36%
Paid-for search	£5.82bn	50%
Classified	£1.47bn	13%
Other	£0.08bn	<1%
TOTAL	£11.55bn	100

Source: IAB/PwC Adspend 2017

Digital advertising’s increased market share appears to be primarily accounted for by a shift in advertising spend from print, press classified and directory advertising to digital. This shift is driven by changes in consumer behaviour (see page 5), particularly the trend in people accessing content and services on mobile devices (smartphones and tablets) and the emergence of a ‘mobile first’ generation of users.

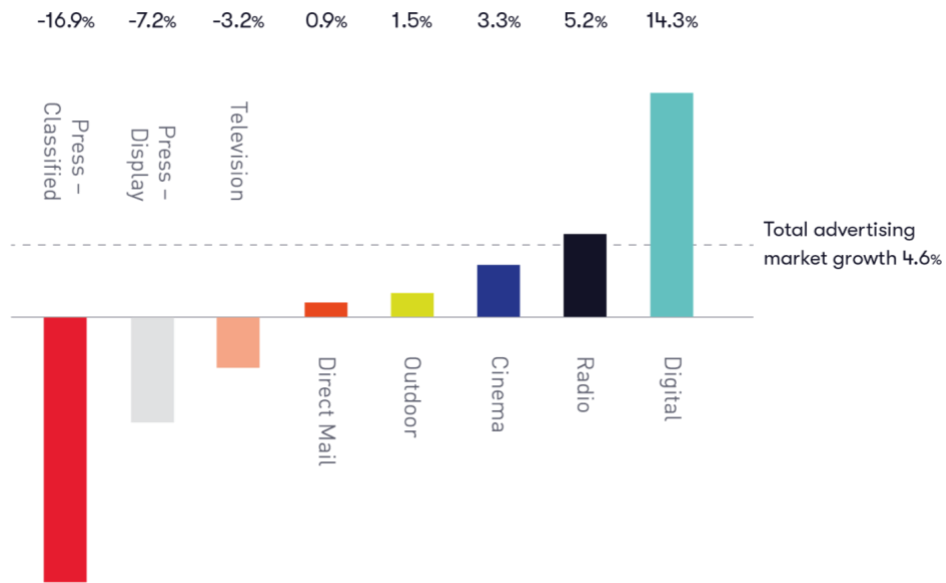
News publishers and digital advertising

News publishers primarily generate advertising revenue through display advertising, including banners, video, and content-based advertising (where an advertiser funds the creation of content, such as through sponsorship of independent editorial content, or partnering with a news publisher to publish ‘advertorial’ content).

In the past, news publishers also generated revenue through classified advertising, although this has decreased year-on-year with the introduction and growth of online ‘classified’ sites hosting advertising for cars, homes and jobs, and of online marketplaces for used goods (e.g. Gumtree and eBay). This itself reflects changing consumer behaviour, i.e. people having more connected devices, spending more time online, and doing more of their activities online.

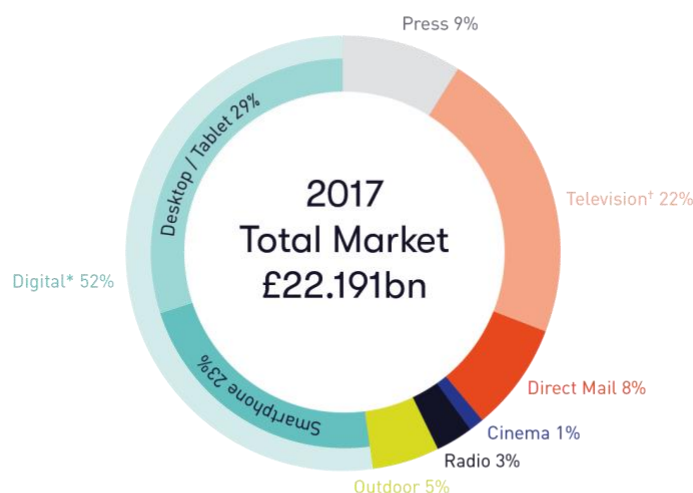
While digital media offer more choice and opportunities for advertisers to reach their audiences, they are not necessarily in competition with advertising spend on more traditional media – often, marketers use combinations of media to deliver their ad campaigns. Other (non-digital) media that have also experienced disruption from people’s changing media habits and the growth of the digital ad market appear to have adapted more quickly: in addition to the digital media market, radio, outdoor, direct mail and cinema all saw growth in 2017 (see figure 2 below), whereas press display and classified revenues both reduced (as did TV).

Figure 2: Change in advertising spend by media, 2016-2017



In terms of market share, news publishers are having to compete with other advertising media – including, but not exclusively, digital media – to attract ad spend, and other media are currently more successful at attracting this spend.

Figure 3: Market share of advertising spend by media, 2017



Digital includes broadcast VOD and digital news / magazine brands.
 Digital news / magazine brands have been removed from all press categories
 TV includes spot advertising, sponsorships and other (such as product placement) with broadcaster VOD removed
 Source: IAB / PwC Digital Adspend 2017 & WARC

Figure 4: Change in actual advertising spend by media, 2005-2017

	£m	£m	% change
	2005	2017	
Total ad market	17,418.40	22,191.00	27%
Digital	1,366.40	11,553.00	746%
OTHER MEDIA			
Press	6,800.80	2,695.00	-60%
TV	4,097.00	5,108.00	25%
Direct Mail	2,371.30	1,753.00	-26%
Directories	1,116.00	n/a	n/a
Outdoor	896.80	1,144.00	28%
Radio	614.00	679.00	11%
Cinema	156.10	260.00	67%
TOTAL	16,052.00	11,639.00	-27%

Digital includes broadcast VOD and digital news / magazine brands. (these are also included in TV and press respectively). TV also includes spot advertising, sponsorships and other (such as product placement). Directories not included in 2017.

Figures are correct at time of publishing.

Source: IAB / PwC Digital Adspend 2005/2017 & WARC

A sustainable future for digital advertising

The IAB shares the Government's ambition, as set out in its Digital Charter, to make the UK the best and safest place for online advertising. We want the country to represent a gold standard in digital for others to admire, follow and emulate and to ensure that the UK retains its leading role in ecommerce and digital advertising. The industry has grown, as outlined in the previous section, and now over half of all the money spent on advertising in the UK is spent with online media.

As the industry has grown it has faced challenges and the UK digital advertising sector has a strong track record of self-regulating to meet those challenges, which has been recognised by the Government. Through continued Government support we believe that self-regulation remains the best approach to addressing issues that have the potential to undermine consumer and business trust in digital advertising.

IAB UK is committed to raising standards in digital advertising so that, collectively, we can build a sustainable future for the industry. As part of this we launched the IAB UK Gold Standard initiative last year, with a public commitment from all of our **Board** members – leading businesses in the digital advertising sector, including news media brands – aimed at driving up standards in the industry. The Standard aims to address three key industry challenges – ad blocking, ad fraud and brand safety (see p.18) – and commits signatories to:

- **Improving digital advertising experiences by adhering to the Coalition for Better Ads' 'Better Ads Standards'**

The Better Ads Standards cover the 12 ad formats that research shows people find the most annoying and that can lead to people using ad blockers, which has a harmful impact on publishers who rely on the value exchange of free content paid for by advertising. By committing to not use these ad formats, publishers and buyers are helping to ensure the future of the ad-funded internet which is essential to a sustainable digital advertising industry, a free and open web and viable ad-funded business models, including news.

- **Reducing ad fraud by implementing ads.txt**

Ads.txt addresses the issue of counterfeit advertising space ('inventory') being sold. This happens when a site deliberately misrepresents the inventory that it has for sale as being from a genuine, 'premium' site that is likely to be attractive to advertisers (e.g. www.ft.com), when the inventory is actually on a different, inferior site. Ads.txt provides a way for buyers to check the authenticity of the inventory they are buying and gives publishers greater control over the sale of their inventory, as well as helping to protect its value.

- **Increasing brand safety by working with JICWEBS with a view to becoming DTSG certified or maintaining certification**

The Digital Trading Standards Group (DTSG) is a cross-industry self-regulatory initiative that provides the tools to bring transparency to the ad placement process, enabling buyers to actively manage campaigns and minimise the risk of ad

misplacement. Overseen by JICWEBS, the Joint Industry Committee for Web Standards,³ the DTSG has published **good practice principles** for all business models involved in buying, selling and facilitating digital display advertising. There are currently over 120 **DTSG signatories** - double the number from this time last year—covering a significant proportion of the market. Signatory companies undergo an independent audit of their ad misplacement policies and the report is published online, giving transparency to buyers. These committed businesses are differentiating themselves in the market, showing buyers and sellers what tools are in place as well as standardising agreements and policies. Earlier this year, JICWEBS worked with news publishers, through the Association of Online Publishers, to implement some changes to the DTSG framework, following which six leading UK news groups became signatories (Telegraph Media Group, ESI Media, Mail Metro Media, News UK, Trinity Mirror and Guardian Media Group).

Audience behaviour

The changes in advertisers' media spend are the result of a number of factors. We know that people's behaviours have changed hugely in the last ten years, and that is driving changes in advertising: advertisers go where their audiences are, and they are increasingly online, and specifically on mobile devices.

According to Ofcom data, the smartphone is the most popular device used to go online. 70% of UK adults say they use a smartphone to go online (among 16-24s this is 95%, compared to 22% of those aged 65-74) and 52% use a tablet.⁴ UKOM⁵ data shows that over a quarter of online adults are now mobile only, i.e. they only go online using a tablet or mobile phone.⁶

In terms of time spent online, Ofcom research estimates that, on average, people spend 24 hours online per week, compared to 12.1 hours in 2007.⁷ Alongside that, UKOM data⁸ shows that use of mobile devices accounts for 75% of all time spent online, and YouGov research for the IAB found that reading news and articles was the second-most common activity on a smartphone in the last year.⁹

³ <https://jicwebs.org/about-us/who-we-are/>

⁴ https://www.ofcom.org.uk/__data/assets/pdf_file/0011/113222/Adults-Media-Use-and-Attitudes-Report-2018.pdf

⁵ UKOM is the industry body set up to identify, define and govern a common UK industry standard for online audience measurement. It provides reliable audience data for advertisers and agencies to use to plan and buy media, in the same way that BARB and RAJAR provide audience data for TV and radio respectively. More details are available at <http://ukom.uk.net/faq.php>

⁶ <http://ukom.uk.net/digital-market-overview/79-q2-2018-uk-digital-market-overview-report.php>

⁷ https://www.ofcom.org.uk/__data/assets/pdf_file/0011/113222/Adults-Media-Use-and-Attitudes-Report-2018.pdf

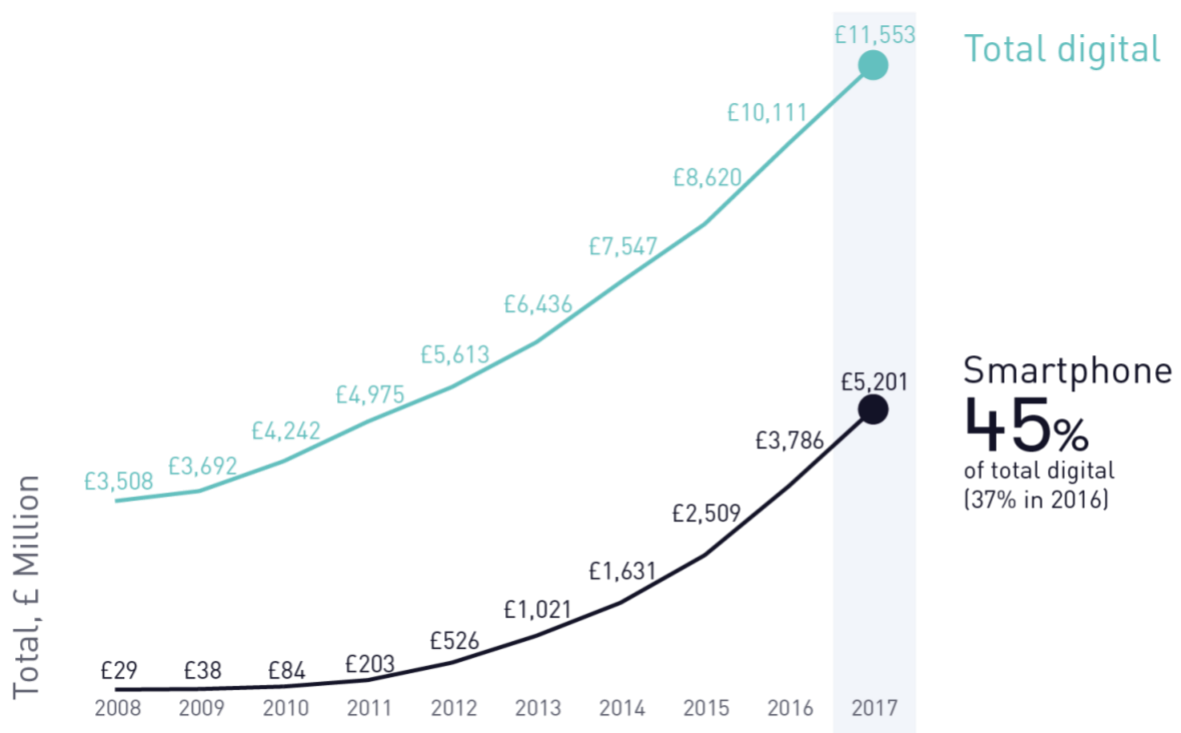
⁸ <http://ukom.uk.net/digital-market-overview/79-q2-2018-uk-digital-market-overview-report.php>

⁹ YouGov omnibus, 5-6 April 2018 for IAB UK

https://www.iabuk.com/system/files/member_files/Consumer%20Insights%20April%202018.pdf

In line with this change in consumer behaviour, Mobile advertising, specifically ads viewed on smartphones, is generating almost all growth in the digital advertising market and in terms of formats, the largest increases in spend have been in those that are particularly suited to a mobile environment. 45% of all digital spend (5.4bn), and 61% of all digital display advertising in 2017, was on smartphone¹⁰. Within that, video is the format that is driving the majority of growth.

Figure 5: Growth of digital advertising spend on smartphone (all formats), 2008-2017



Source: IAB / PwC Digital Adspend 2017

News publishers have adapted less quickly to mobile advertising than some other publishers. The Mediatique report (paras 3.24-3.28) shows that newsbrands have a large online reach. However, their advertising practices and products have not necessarily changed at the same rate. Publishers as a whole generate 61% of their display advertising revenue from mobile (smartphone) ads,¹¹ whereas we estimate that for news publishers, the average is less than half that figure.

It was undertsandably difficult for news brand to invest in mobile (e.g. developing mobile products and mobile ad formats) in the earlier days of its development, as the returns

¹⁰ IAB / PwC Digital Adspend 2017 <https://www.iabuk.com/adspend/full-year-2017-digital-adspend-results>

¹¹ IAB / PwC Digital Adspend 2017 <https://www.iabuk.com/adspend/full-year-2017-digital-adspend-results>. Note: this figure is for display advertising only, versus all formats shown in Figure 5.

would have been relatively small. Other, digital-only publishers and technology platforms were better-placed to do so and have therefore seen better returns, sooner, than most news publishers. The increase in spending on mobile advertising with non-news publishers is also driven in part by ‘new’ spending by advertisers (for example, SMEs) who would not historically have spent money buying advertising from news publishers, or would have spent much smaller amounts – largely due to prohibitive costs and lack of access – and by advertisers looking to drive specific activity, such as app downloads.

Competition in the advertising market

The Mediatique report for DCMS identifies two key factors that it says account for the fact that newsbrands’ digital ad yields are lower than their print revenues, despite them having high online reach. One of those cited is:

Higher competition: newsbrands’ content online faces significantly more competition for eyeballs and this competition comes from a large pool of players, which include other news websites as well as social media companies and other digital intermediaries, online shopping websites, blogs and many more. Digital advertising, and programmatic advertising in particular, is platform independent, and ‘follows’ the user wherever he or she goes online; this has had the effect of diluting the value of newsbrands’ inventory, making it impossible for them to charge the same rates online as they do on print¹²

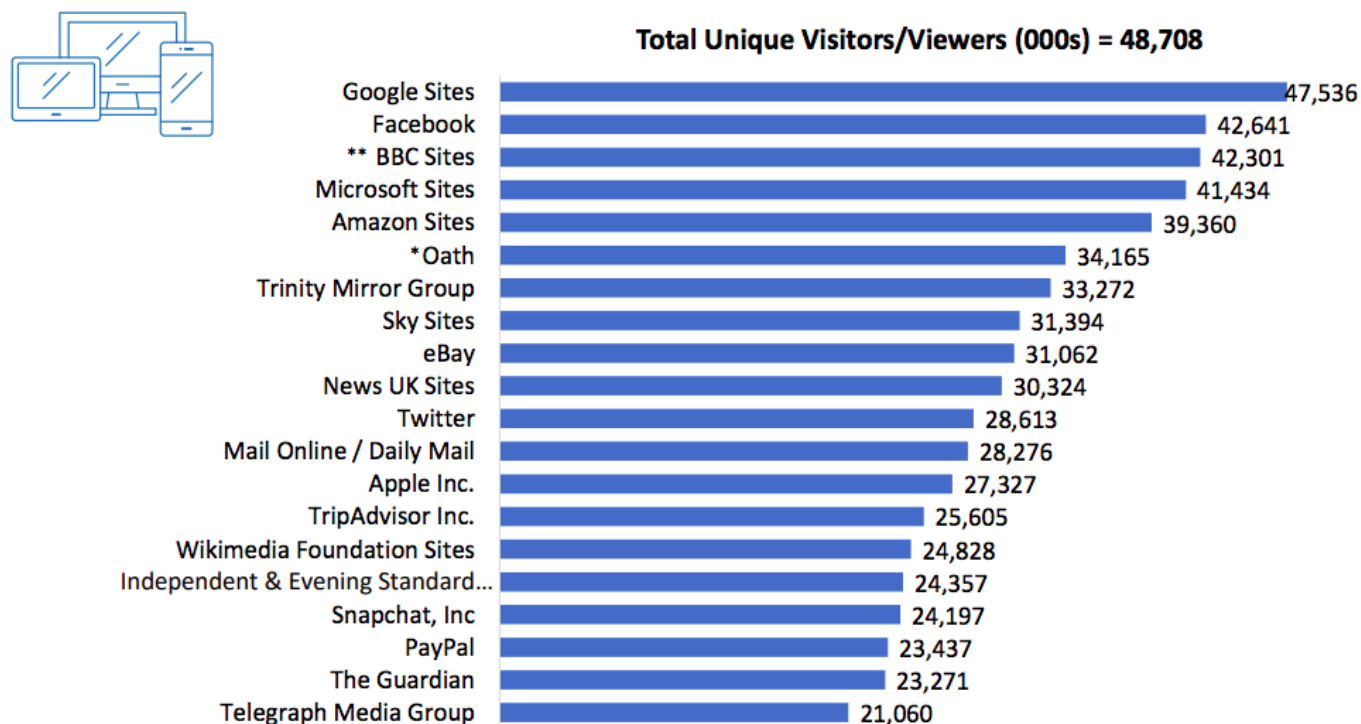
Competition for advertisers’ budgets should be considered more widely than simply in the context of other digital content competing with newsbrands’ content. Digital technology has created a new media environment and therefore a new advertising medium. It has made new advertising space available to advertisers in addition to the more traditional media that have been around much longer than digital’s 20-year history. This does not necessarily mean that newsbrands’ content is competing with other content – we know that newsbrands have a high online reach and audience figures: UKOM data for quarter 2 of 2018¹³ shows that, of the top 20 online media properties, 5 are newsbrands (as shown in figure 6 below). It does, however, mean that advertisers have more choice about where to advertise as people consume more types of media than ever before, and spend more of their time doing so compared to a pre-digital age (as explained on page 7).¹⁴

¹² Mediatique report for DCMS: Overview of recent dynamics in the UK press market, April 2018, para 4.11.

¹³ http://ukom.uk.net/uploads/files/news/ukom/79/UKOM_Digital_Marketing_Overview_June_2018_final.pdf

¹⁴ https://www.ofcom.org.uk/__data/assets/pdf_file/0011/113222/Adults-Media-Use-and-Attitudes-Report-2018.pdf

Figure 6: UKOM Top 20 properties by 'unique visitors', Q2 2018



Source: comScore MMX Multi-Platform, June 2018, Desktop age 6+, Mobile age 18+
 MMX Multi-Platform includes desktop browsing, desktop video streams, smartphone browsing & apps, tablet browsing & apps
 *Oath May 2018 – June 2018 was under-reported due to a tagging issue within the Mobile Metrix and Media Metrix Multi-Platform data
 ** BBC data was impacted by an increase to the BBC News Mobile App due to a tagging issue in June

Publishers can choose how to sell their advertising inventory. There are four ways in which this process is managed, as shown in figure 7 below. Programmatic advertising employs technology to streamline and simplify the process of buying and selling digital advertising placements and to help make advertising more efficient and effective. This includes, but is not limited to, trading that uses real-time bidding auctions (RTB).¹⁵ The figures next to each category in the table show the proportion of all display advertising that was sold in that way in 2017.¹⁶

¹⁵ Real-time bidding (RTB) is a process whereby advertising space is sold via an auction and advertisers 'bid' in real time to show their ads to audiences who meet their target criteria (17% of display advertising was sold this way in 2017). RTB allows advertisers to reach audiences on any number of publisher sites openly through an auction even if they may not have a direct relationship with the publisher, therefore broadening the reach of their campaigns.

¹⁶ IAB UK/PwC Digital Adspend 2017 <https://www.iabuk.com/adspend/full-year-2017-digital-adspend-results>

Figure 7: Media owner (publisher) sales techniques

		TECHNIQUE	
		TRADITIONAL	PROGRAMMATIC
CHANNEL	DIRECT	<p>Direct sales</p> <p>Inventory bought at fixed prices directly from media owners through in-house or external sales teams, using insertion orders and manual processes to book and turn the campaign</p> <p style="text-align: right;">18% (-8pp)</p>	<p>Programmatic direct (e.g. direct deals, private marketplaces)</p> <p>Inventory bought from a particular media owner using automated processes, where a direct relationship exists between the buyer and media owner in the form of pre-existing deal terms (e.g. exclusive access and price floors)</p> <p style="text-align: right;">63% (+10pp)</p>
	INDIRECT	<p>Networks</p> <p>Inventory bought at fixed prices from a third party offering packages which aggregate supply across multiple media owners</p> <p style="text-align: right;">2% (=)</p>	<p>Programmatic indirect (e.g. open RTB exchanges)</p> <p>Inventory bought on an impression-by-impression basis in real-time through an open, unreserved auction.</p> <p style="text-align: right;">17% (-2pp)</p>

n.b. These figures represent the whole digital advertising market, i.e. all types of publishers. Figures and trends may differ within specific publisher sectors, e.g. news.

The Mediatique report is incorrect to say that digital advertising, or even programmatic advertising, ‘is platform independent and ‘follows’ the user wherever he or she goes online’.¹⁷ The environment in which ads are shown, and the nature of the audience in that environment are important factors for buyers when choosing where to buy advertising space online. Some ads – particularly those bought via programmatic indirect, e.g. open RTB exchanges – target on the basis of the audiences rather than the environment. However, not all advertising is bought in this way, even if it is bought using programmatic technology, as shown in the diagram above. 81% of all display advertising in 2017 was bought through ‘direct’ means, i.e. where there was a direct relationship between the buyer and the media owner.

The digital advertising supply chain

The digital advertising supply chain has evolved over its twenty or so years of existence and now makes much greater use of technology. Our [short video](#)¹⁸ explains this evolution. The volume of available advertising inventory online is constantly growing, and in order to effectively monetise this inventory, media owners (publishers) increasingly rely on technology, including programmatic advertising.

¹⁷ Mediatique report for DCMS: Overview of recent dynamics in the UK press market, April 2018, para 4.11.

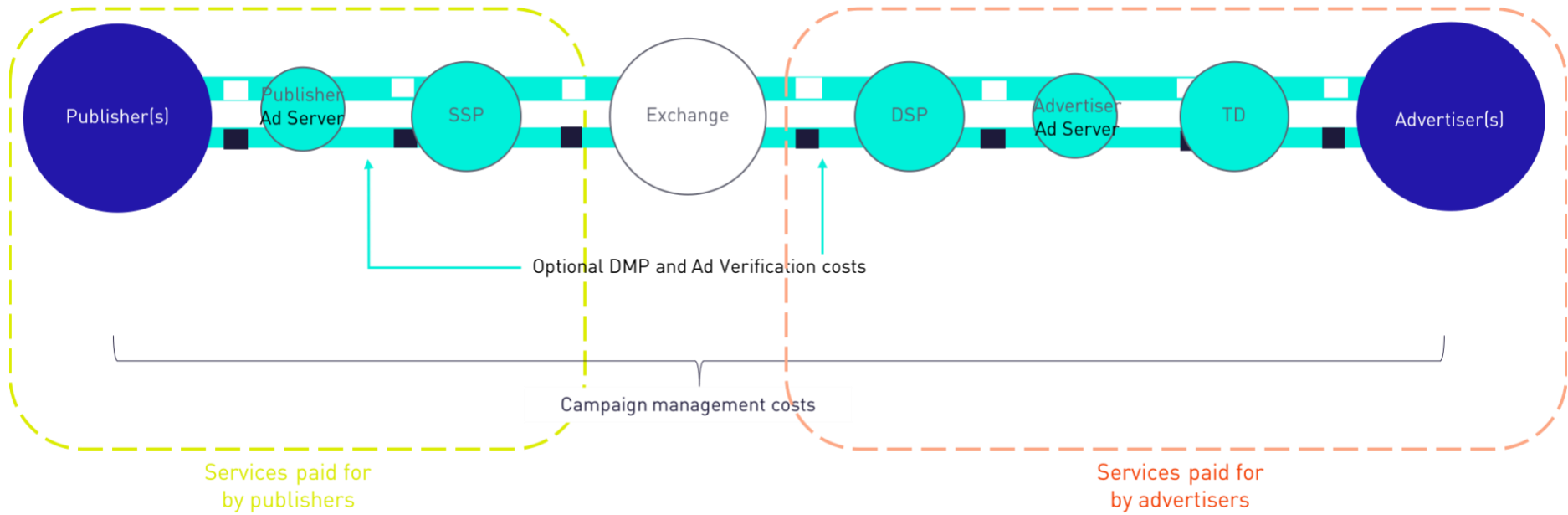
¹⁸ <https://www.youtube.com/watch?v=efHVOWcNJZo>

Money spent by advertisers (or agencies on their behalf) – collectively ‘buyers’ – on digital advertising is often distributed throughout the supply chain. This is because the overall ‘cost’ of buying advertising space (inventory) includes both the value of the inventory itself, which is variable, and the cost of any services provided by intermediary companies that sit between buyers and sellers and work to improve the overall efficiency of the buying and selling, for example by providing services to more accurately target ads at the intended audience.

There are some services that are essential to trading programmatically, and others that are optional. Advertisers (or agencies on their behalf) decide which of these intermediary services they wish to use. Similarly, publishers decide which intermediary services they work with to sell their ad inventory. The money ‘spent’ by buyers therefore includes intermediaries’ fees as well as the cost of the inventory itself, which is paid to the publisher.

The diagram and table below give an overview of the key services involved in buying and selling digital advertising that advertisers and publishers use (and therefore pay for, or develop in-house), and their functions.

Figure 8: Services in the programmatic trading supply chain



See table on following page for definitions and explanations.

Service type	What do they do?	Who pays for it?
Publishers (collectively 'sellers')	The owners of web properties (e.g. sites, apps) providing content for individuals. Publishers are the owners and sellers of the advertising space (inventory).	-
Publisher ad server	Ad servers are technology used by both advertisers and publishers. Publishers use ad servers to inform SSPs when an ad slot is available and to display ads (whether or not the inventory has been sold programmatically).	Publisher and advertiser ¹⁹
SSP: Supply side platform	An advertising technology platform that represents the suppliers of online ad space (publishers). SSPs give publishers the ability to increase their website advertising revenues by engaging with multiple demand-side channels (Ad Networks, Ad Exchanges and DSPs) through a single vendor. Used by publishers.	Publisher
Exchange	Virtual exchange where supply side and demand side platforms meet to trade and exchange inventory. ²⁰	-
DSP: Demand side platform	An advertising technology platform that allows marketers to manage their online media campaigns by facilitating the buying of auction-based display media and audience data across multiple inventory and data suppliers in a centralised management platform.	Advertiser
Advertiser ad server	Ad servers are technology used by both advertisers and publishers. For advertisers, ad servers are used to store and deliver creative assets (i.e. the content of an ad) and keep track of delivery.	Advertiser
TD: Trading Desk	A trading entity known as the expert operators in their use of new technology. These entities can be independent or operate within an agency holding company. This group of people (known as traders) play the day-to-day campaign management role. Used by agency holding companies, operating agencies, advertisers.	Advertiser
Advertisers (collectively 'buyers')	Brands, or agencies acting on behalf of brands, looking to buy digital media inventory	-
Campaign management	The costs of setting up, managing, optimising and reporting on programmatic campaigns, as well as costs for building and maintaining technology, are incurred throughout the supply chain.	Advertiser and publisher

¹⁹ Depending on how they manage their buying, this could be an advertiser directly or a media agency on an advertiser's behalf

²⁰ As distinct from a type of company known as an 'ad exchange' that provides both SSP and DSP services in one place.

Optional services		
DMP: Data Management Platform	<p>Platforms that allow advertisers, agencies, publishers and others to control their own first-party audience and campaign data, compare it to third-party audience data, and give the ability to make smarter media buying and campaign planning decisions via behavioural targeting or extending audiences via lookalike modelling.</p> <p>Advertisers and agencies generally use DMPs in order to buy more effectively while publishers typically use DMPs in order to segment their audiences and sell more effectively.</p>	Advertiser and/or publisher
Ad verification	Typically used to measure viewability and used for blocking ad delivery, i.e. stopping an ad being displayed, for example where fraudulent traffic has been detected or for brand safety reasons.	Advertiser and/or publisher

The impact of programmatic advertising

Publishers can choose whether or not to sell their ad inventory programmatically, and within that, whether to sell their inventory directly or indirectly.

There are, however, several benefits to selling programmatically. One of the most significant benefits is that publishers are able to monetise inventory that they weren't able to before, or wouldn't otherwise be able to manage selling manually. Digital advertising inventory becomes 'available' whenever a person visits a web page, app, etc. Programmatic technology enables publishers to make all of this space available for sale in real time, according to supply levels, rather than having to forecast how much they may have available and sell it in advance, thereby helping them to monetise short-term spikes in traffic (that might arise from a big breaking news story, for example).

Managing the selling of all inventory manually would be extremely difficult, and would require large physical sales teams, all of which would carry significant costs – greater costs than the cost of selling programmatically.

Selling programmatically also enables publishers to sell inventory that they may not have been able to previously because it wasn't considered to be valuable (e.g. because of its position on the page), whereas through the programmatic supply chain such ad space can be sold on the basis of how well the audience of that space meets buyers' criteria, rather than being left empty. Similarly, through RTB (see p. 10) publishers can monetise the inventory they haven't otherwise been able to sell by making it available on the open market to buyers who are looking to target on the basis of the audience, rather than the publisher or the content, which again means that publishers can sell ad space on this basis that the buyer may not have otherwise bought on the basis of other factors.

A further innovation in the digital advertising market has helped to ensure that publishers are being paid the right price for their advertising inventory. Header Bidding is a process that allows marketers to bid for inventory that would have previously been reserved for direct bookings only, for example because it is considered to be premium and therefore of high value. If the publisher can make a better price selling an impression programmatically, then their ad server will make the decision automatically to do so, rather than using the space for the lower-value direct booking.

There are some drawbacks to news publishers from selling their inventory programmatically, which are largely based on the fact that inventory is priced and bought on a wider range of factors than the perceived 'value' of a quality news environment to an advertiser, which in the past would have been a key selling point and something that advertisers would have a premium for. There is clearly also more competition, as buyers can look across a huge number of sources of supply of advertising space at one time.

Addressing the challenges arising from a complex supply chain

Programmatic advertising has had a disruptive effect on the market. It has introduced new technologies and processes that create value but that also present challenges in areas including transparency (e.g. of advertising placement or of intermediaries and third parties involved in the supply chain), data use, and for organisations internally. For news brands in particular, the majority of which have a print legacy, there can be misunderstandings and conflicts between different parts of the organisation that both benefits from, and is threatened by, the growth in the digital ad market.

The IAB recognises the challenges that the complexity of the digital advertising supply chain presents and has developed initiatives to help address these. One of the IAB's priorities is to educate the market and simplify digital advertising for advertisers and to support this we run a range of workshops, seminars, training sessions, conferences and research projects.

IAB UK is also developing a transparency blueprint with its members, which identifies the information that publishers and intermediaries should be able to make available on request to advertisers and agencies (buyers) around pricing, ad placement and data. The blueprint will help buyers to understand and make informed choices about how best to spend their advertising budgets, and what value they are getting from their advertising partners.

Other trade associations in the advertising industry have also developed their own approaches to help ensure greater transparency between advertisers, agencies and publishers, including:

- the WFA Global Media Charter which includes supply chain transparency as one of its 8 principles, and states: 'Full disclosure is required for pricing & trading, fees & costs, placement, data, and other areas.'
- ISBA's [Media Services Framework](#), designed to help ensure that media agency contracts in the past cover key issues in sufficient detail, including on transparency.

Data

In relation to data transparency, publishers have in the past been dissatisfied with the fact that companies involved in the digital advertising supply chain have been able to gather data and insights from their audiences without the publisher necessarily being aware of that, or being able to extract value from it. The introduction of the European General Data Protection Regulation (GDPR), applied in the UK as the Data Protection Act 2018, has brought additional requirements in relation to transparency of data processing.

IAB Europe (the European trade association for digital advertising) has worked with its members to develop a [Transparency and Consent Framework \(TCF\)](#) designed to help digital advertising companies to comply with the transparency and consent requirements arising from the GDPR and other, related privacy legislation.

Among other things, third parties that wish to process data collected through publishers that are using the TCF must register with IAB Europe and state the purpose for which they wish to process data, and their legal basis for doing so. Publishers are then able to choose which third parties can access the data of the individuals visiting their sites. Under changes currently being made to the TCF, publishers will also be able to determine for which purposes personal data can be used, and on what legal basis. This gives publishers greater control over their audience data, and how it is monetised.

The role of advertisers

Advertisers and advertising agencies make choices about which media to place their ads in based on a number of factors including cost, effectiveness, target audience, reach, and brand safety. They also take into account other value considerations such as the nature of the environment and how well that fits with the brand's image and values, as well as how well it fits with a particular campaign. Ease of buying is also a factor.

'Brand safety' here means, broadly, a media environment that a brand considers to be 'safe' for its advertising. The determining factors and definition of 'safe' will vary from brand to brand. Illegal content should be considered an 'unsafe' environment for any brand. However, there are other environments that brands may choose to avoid because they are controversial or carry risk if a brand is associated with them.

Similarly there are brand sensitivities to certain kinds of content. Some advertisers choose not to advertise next to news content because it can cover difficult and controversial topics that they prefer to stay away from – particularly because some advertising is placed on the basis of context and association, e.g. a car ad next to news about cars. A typical example of content that the car company would stipulate its ads must not appear next to would be news about a car accident. If a brand uses technology that recognises keywords, i.e. words that should be avoided, to manage where its ads should not be placed (for example 'terror'), this can have a knock-on effect for genuine news publishers' ability to sell advertising space alongside news that covers such topics. Some brands are also sensitive to association with news about political subjects and also choose to avoid that, which likewise has an impact.

The IAB has worked with its news publisher members to showcase to advertisers and agencies the value that quality news environments can bring to the advertising that they host, to encourage advertisers to consider placing ads with news publishers.²¹ Ultimately, though, advertisers' choices are driven by a number of factors, as outlined above, which all contribute to their decisions about how best to fulfil their campaign objectives and get the best return on investment. This review should consider advertiser behaviour and what drives their choices around advertising spend online, and specifically, where that money is spent and why. It should also consider whether news publishers could take action to make

²¹ For example, our award-winning fake news exposé our annual conference, IAB Engage, in 2017. See <https://www.iabuk.com/press-release/ken-fawes-earns-iab-uk-award-highlighting-plight-newsbrand-members>

their ad inventory more easily accessible, at scale, to buyers in order to be able to more effectively compete with other media owners who are currently being more successful at attracting digital ad revenue.

The IAB is committed to a sustainable future for our industry, and for the ad-funded internet and our Gold Standard initiative (outlined on page 6), which we plan to evolve further in 2019, is the first big step towards this goal. News publishers or other publishers creating editorial content clearly have costs that other digital publishers do not necessarily have. The digital advertising market is structured to best serve advertisers in terms of enabling them to efficiently reach their intended audience at scale, wherever they are online. The majority of digital display advertising is bought on a cost-per-mille (CPM) basis where relatively small amounts are spent on buying individual ad impressions. This model is not designed to fund news journalism and in its current format, is unlikely to be able to do so. The costs that advertisers are used to paying and are prepared to pay, on a CPM basis, are unlikely to be able to sustain news publishers in the future (alongside declining print and circulation revenue), even if they optimise their operations to maximise the funding they get from selling digital advertising.

There are other ways in which news publishers could potentially increase the value of their ad inventory, and thereby increase their digital ad revenue, for example, by selling it on a cost-per-engagement (CPE) basis. There are some advertising products that are designed specifically for this purpose that are designed to directly engage individuals with the ad, creating active engagement that advertisers are generally willing to pay a higher price for. However, for this approach to be successful for news publishers, it would also require a corresponding change in advertisers' approaches to buying, measuring and valuing digital advertising.

IAB UK
September 2018