

September 2021



# THE WIDER SOCIO-ECONOMIC AND CULTURAL VALUE OF TARGETED ADVERTISING IN EUROPE

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## From Ideology to Realpolitik

Reality does not fit neatly into economic models, in particular when it comes to advertising. When the Covid-19 pandemic struck in Europe, economists predicted the worst collapse of advertising spending since the great recession of 1929. But this crash did not happen: digital advertising spend grew by 6.3%.

The past year was a live experiment. It laid bare, under the harshest of conditions, that digital advertising is not only vital to the European economy but has a larger social and cultural value that is often overlooked and not accounted for in conventional statistics. This paper explores three domains in which this wider value crystallises:

(1) Digital advertising enables the proliferation of small and medium sized businesses (SMEs), which the European Commission considers “the backbone of Europe’s economy”. This includes sectors which have special cultural value and wider positive effects on regional social structures;

(2) Europe is looking to find its place in a new digital world, spurred by large industrial policies and European Champions. Digital advertising is one of the most important instruments to make this transition happen.

(3) Digital advertising is deeply interwoven with a pluralist ‘4th estate’ in Europe of the free media is a core expression;

All industries face justified public scrutiny as they mature and need to adapt to new socio-economic realities, be it the automotive industry shifting towards e-mobility, the fashion industry cracking down on low-wage labour or the food industry adopting fair trade practices. For digital advertising, this is the notion of targeting and discussions about data and privacy attached to it. Yet public debate is often reduced to moral panic and ideological arguments. But data protection and targeting are not mutually exclusive. A blanket ban on targeting would have unintended consequences that produce much higher ‘systemic risks’ for Europe to protect its media, support its SMEs and deliver on its industrial transformation to a digital economy and society.

The rise of consumer society in the 1960s saw marketers take to the mass-reach of television, leveraging its ability to reach large homogenous interest groups to sell their products on mass. As lifestyles differentiated, so too did media, becoming more fragmented. Special interest publications and niche TV channels that allowed ads addressing those groups arose, often being SMEs.

Today's digital world reflects the plethora of interests and lifestyles that characterise a pluralist society. Advertisers and media have adapted their techniques to make accessible and find relevant audiences. Targeting is not an optional feature of digital advertising. Regardless of how it is enacted today or tomorrow, it is a natural expression of how advertising reflects the structure of contemporary society.

The dystopian framing of targeting in some corners of Brussels neglects that digital advertising encompasses many approaches from finding relevant audience segments to valuable editorial contexts. Even if ads are delivered to specific consumers, households or devices, marketers are not interested in the individual, but in aggregates. Today, all corners of the digital advertising universe, from publishers and marketers to advertising specialists, are deploying new approaches that allow connecting consumers with relevant advertising in a manner that accounts for tighter privacy regulations and changing cultural attitudes.

Recognising these arguments is crucial for any approaches to regulate digital advertising. Realpolitik, not ideology, is needed to ensure the socio-economic growth and cultural prosperity of Europe can be underpinned by – often targeted – digital advertising.

## Targeted Advertising Is A Growth Engine For European SMEs

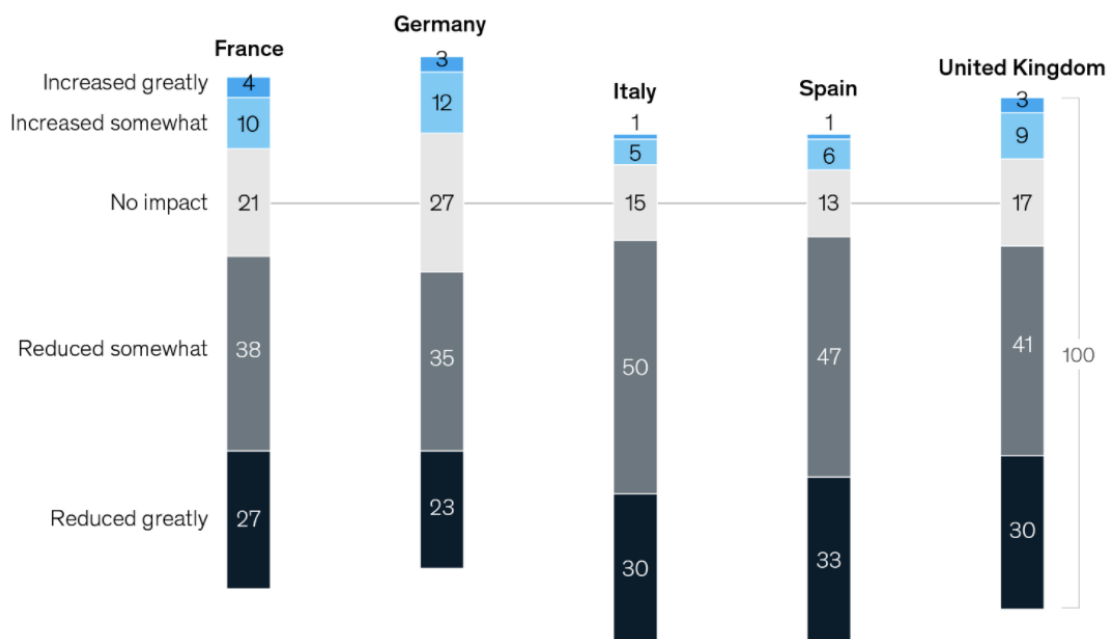
It is hard to overstate the importance of small and medium sized businesses (SMEs) for Europe. The European Commission itself defines (SMEs) as 'the backbone of Europe's economy'. Indeed, 99% of all EU businesses are SMEs, they employ more than 100 million people and are responsible for more than 50% of Europe's GDP. This is not just an economic argument. The EC recognises that SMEs foster "social cohesion", spread innovation and are a keystone for designing Europe's future:

*"They are therefore central to the EU's twin transitions to a sustainable and digital economy. They are essential to Europe's competitiveness and prosperity, industrial ecosystems, economic and technological sovereignty, and resilience to external shocks."*

But 2020 has created a sudden rift between promise and practice. European SMEs have been hard hit by the pandemic (1). More than 50% of 2,200 SMEs surveyed by McKinsey in France, Germany, Italy, Spain, and the UK worried about not being in business anymore during the next 12 months (2).

## Revenues have fallen for the vast majority of small and medium-size enterprises in Europe since the onset of the COVID-19 crisis.

Respondents' views of COVID-19 impact on their companies' revenues, %



Note: Figures may not sum to 100%, because of rounding.

Source: Survey of SMEs conducted in August 2020; n = 500 in United Kingdom, n = 505 in Germany, n = 502 in France, n = 351 in Italy, and n = 350 in Spain

**Source: McKinsey**

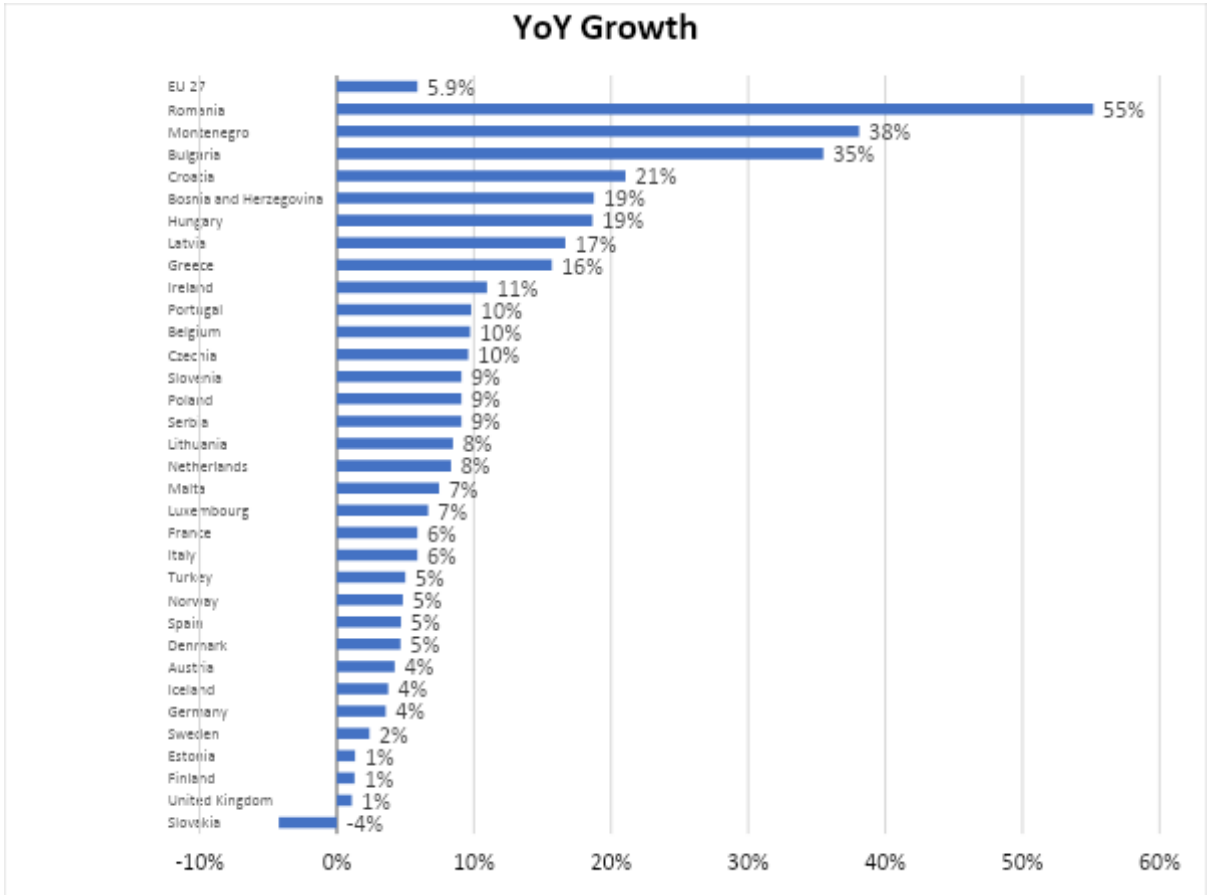
At the same time, innovation pressure is mounting with new opportunities abound. Lockdowns have accelerated a shift towards e-commerce and other digital business models. The number of EU internet users who bought goods or services for private use online grew by 6% in the EU 27, with double-digit increases notably in the CEE region and smaller countries (3).

(1) - For all references on the European Commission commenting on SMEs above, see [https://ec.europa.eu/growth/smes\\_en](https://ec.europa.eu/growth/smes_en)

(2) - <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-european-small-and-medium-size-enterprises-how-they-are-weathering-the-storm#>

(3) - [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=E-commerce\\_statistics\\_for\\_individuals](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=E-commerce_statistics_for_individuals)

## Europe: Internet users who bought goods or services for private use online (%)



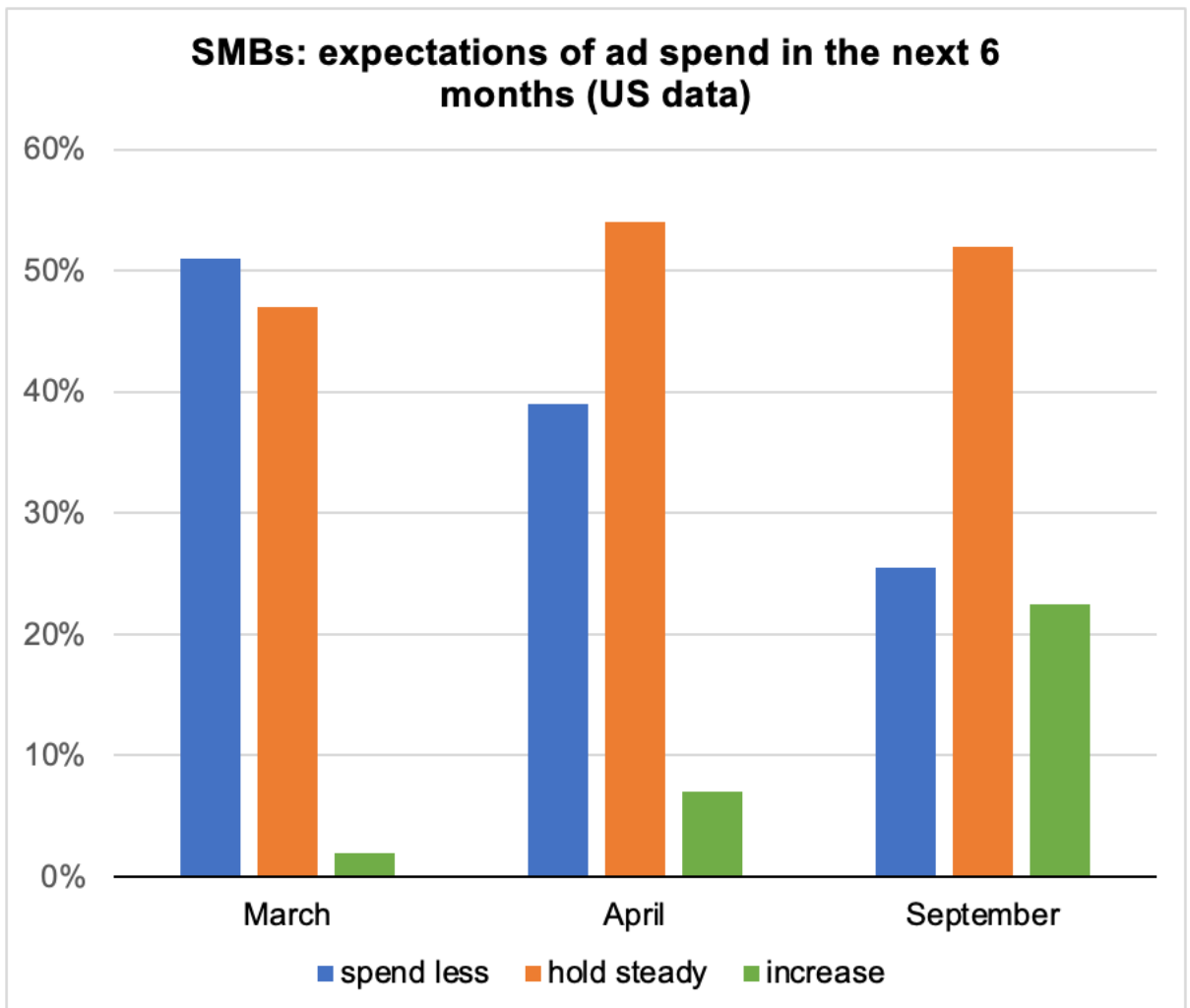
Source: Eurostat

In this environment, SMEs have recognised the need to supercharge their digital transformation to adjust to rapidly changing consumer demands, running their business by day and digitising at night. According to Accenture, re-segmenting prospects and customers to deliver targeted and customer-centric capabilities is an essential component (4).

For SMEs, advertising is an essential component of driving sales, in particular during times of disruption. SMEs often run their business based on the principle of 'advertise or perish' as they lack the cash resources to navigate a period without sales.

(4) - [https://www.accenture.com/\\_acnmedia/PDF-125/Accenture-Powering-SMB-Resiliency-In-A-COVID-19-World-POV.pdf](https://www.accenture.com/_acnmedia/PDF-125/Accenture-Powering-SMB-Resiliency-In-A-COVID-19-World-POV.pdf)

The exceptional circumstances during the pandemic have created a rich canvas of data to support this. US statistics show that after an initial shock in the face of pandemic disruption, SMEs were thus quick to stop focussing on slashing advertising budgets and increasingly holding budgets steady or increasing them.



Source: Borrell Associates

Similar trends are visible across the Atlantic. Data from the UK demonstrates that half of SMEs consider digital advertising more important to their business in times of the pandemic-induced crisis and 63% consider digital activity a good return on investment (5).

(5) - <https://www.iabuk.com/news-article/digital-advertising-crucial-smes-recovery>

But SMEs need to diligently measure advertising return-on-investment. They require targeted advertising strategies to minimise wastage and reach relevant consumers more than any other type of business. Academic studies show that the gap between product characteristics desired by the consumer and the characteristics of the matched product improves with targeted ads (6). Larger businesses and big brands with mass appeal do not have this problem: the audience for daily household items is broad enough. But SMEs cannot afford to send advertising messages to consumers who are not interested in their product and services.

Targeted advertising therefore is not just essential for SMEs to reach their consumers, but crucial for their economic recovery post-Covid, for their adaptation to increasingly digital and e-commerce-driven business models and thus for the EU to support the backbone of its own economy - an argument that is also supported by the European Commissioner for Competition, Margarete Vestager in a parliamentary hearing (7).

Shifts in consumer behaviour have accelerated the creation of new businesses in Europe. During the latter half of 2020, new business creation grew faster than in the second half of 2019 before the pandemic redefined the economy. Between June and December, Germany alone added 24,290 new businesses to its register (+6.6%) and also French business registrations reached record heights (8). These new generations of businesses will need to rely on advertising to attract customers and establish themselves in the market. Without the ability to target its prospects, these businesses will struggle to provide a keystone for European post-pandemic growth that they could well be.

For Europe, its Single Market and emerging Digital Single Market, these dynamics are especially important. While targeted ads are needed for SMEs at large, they are important facilitators for the cross-border exchange of goods and services in Europe. In fact, the Single Market is the go-to market for EU-28 SMEs as of 2017. It accounted for 70% of the value of SME exports, with 80% of exporting SMEs selling to other Member States (9).

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(6) - Lau, Yan (2020) "A Brief Primer on the Economics of Targeted Advertising", Bureau of Economics, Federal Trade Commission quoting de Corniere, Alexandre (2016) "Search Advertising," *American Economic Journal: Microeconomics*, Vol. 8, No. 3, pp. 156–188; Burguet, Roberto and Vaiva Petrikaite (2017) "Targeted Advertising and Costly Consumer Search," Working Paper 971, Barcelona Graduate School of Economics.

(7) - [https://multimedia.europarl.europa.eu/en/inge-itre-imco-libe-aida\\_20210906-1645-COMMITTEE-INGE-ITRE-LIBE-AIDA\\_vd](https://multimedia.europarl.europa.eu/en/inge-itre-imco-libe-aida_20210906-1645-COMMITTEE-INGE-ITRE-LIBE-AIDA_vd)

(8) - <https://www.ft.com/content/3cbb0bcd-d7dc-47bb-97d8-e31fe80398fb>

(9) - <https://blogs.ec.europa.eu/promotingenterprise/files/2018/11/SME-Annual-report-2017-2018.pdf>

This is echoed by digital advertising spending patterns. Within the EU-27, 15% of digital advertising in 2020 (€6.6bn) was transnational spend, i.e. advertising spend that an advertiser in one EU-27 country directed at consumers in other EU-27 countries.



## Protecting Europe's Cultural Assets

Statistics lack emotion, and numbers do not convey cultural nuance. Yet Europe is not just an economic area, but one of shared values, vibrant local cultures, and rich regional diversity. At first glance, the technical terminology of targeted advertising could not be further removed from local cheese in France or a cultural festival in Transylvania.

**(10)** IAB Europe calculation based on submissions to its Adex Benchmark 2021 study on digital advertising expenditure data. Calculation refers to the EU-27 markets.

Targeted advertising helps unique cultural goods, travel destinations, food and beverage and other culturally significant sectors find awareness and customers across Europe. Manufacturers and providers of cultural goods and services would have a harder time competing for more expensive advertising space that is not targeted to relevant consumers. Without targeted advertising, such businesses and sectors would have limited access to the market and face unfair barriers erected by the traditional forms of advertising for which they also lack the budget. Depriving them of data-driven opportunities to reach their target audiences would, in fact, reinforce the traditional market dynamics which are unfairly skewed to big players with big advertising and customer outreach budgets.

Local artisanal products of protected origin are a key cultural asset. The EC Directorate-General for Agriculture and Rural Development puts the economic value of EU quality schemes, geographical indications (GIs) and traditional specialties guaranteed (TSGs) at €74.76bn (EU 28). It identifies marketing as a key factor in making such goods commercially viable (11). Advertising as a cultural ambassador goes further, and the network GourmetAds has created a dedicated service for advertising around French cooking recipes suited to producers of ingredients, local cookware and other French foodware. The approach is by default data-driven and relies on targeting to match content, Francophile audiences and advertisers of French gourmet products (12).

Perhaps nowhere has the value of digitisation, and by proxy targeted advertising become more apparent than in a pandemic-struck Italy. Marred by bureaucracy, Italy had lagged behind the rest of Europe getting its business online, and especially SMEs.

The country is particular in its reliance on SMEs that have strong roots in their local communities, while still being one of the largest economies in the world. These SMEs are important exporters of goods, especially connected to the fashion and design industries, and the agro-industrial and food sectors. Typically, they operate in community clusters, where one small region concentrates on one specific type of goods, such as textiles in the Prato region (13). This makes the entire local and regional fabric - from social cohesion to economic prospects, heavily reliant on the success of this model.

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(11)-<https://op.europa.eu/en/publication-detail/-/publication/a7281794-7ebe-11ea-aea8-01aa75ed71a1/language-en>), e.g. “the cooperation of stakeholders to define and implement a collective strategy regarding marketing and quality”; “adequacy of the product with the market demand (and thus based on relevant marketing analysis)”

(12) - <https://www.gourmetads.com/targeting/cuisine-targeting/french-cuisine-targeting/>

(13) - [https://www.unido.org/sites/default/files/2008-05/the\\_italian\\_SME\\_experience\\_and\\_possible\\_LL\\_0.pdf](https://www.unido.org/sites/default/files/2008-05/the_italian_SME_experience_and_possible_LL_0.pdf)

Lack of digitisation had come to threaten it. The pandemic helped unblock major structural hurdles and forced rapid adoption of digital technology and online sales channels. A small artisan producer of ties at Lake Como told the Financial Times:

*“Who would have thought to learn what search engine optimisation was at the ripe old age of 70... When the first order arrived, I couldn’t believe it was really happening.”*

This case is far from unique. In 2021, Italy enjoyed an export boom fuelled by the adoption of digital technologies, and e-commerce in its internal market surged (14). The country’s Post-Covid recovery plan prioritises rapid digitisation investments to narrow inequality and stimulate long term growth (15).

Digital advertising, big data and targeting are integral to success by increasing speed and reducing costs to compete for SMEs and their Made in Italy goods according to PwC (16). As Italy’s small producers are cast on the digital stage, targeted advertising supports more than plain business growth. By enabling these companies to compete for customers online, it helps preserve the uniqueness of local clusters of SMEs, the culturally significant goods they produce and the social structures that have grown around them.

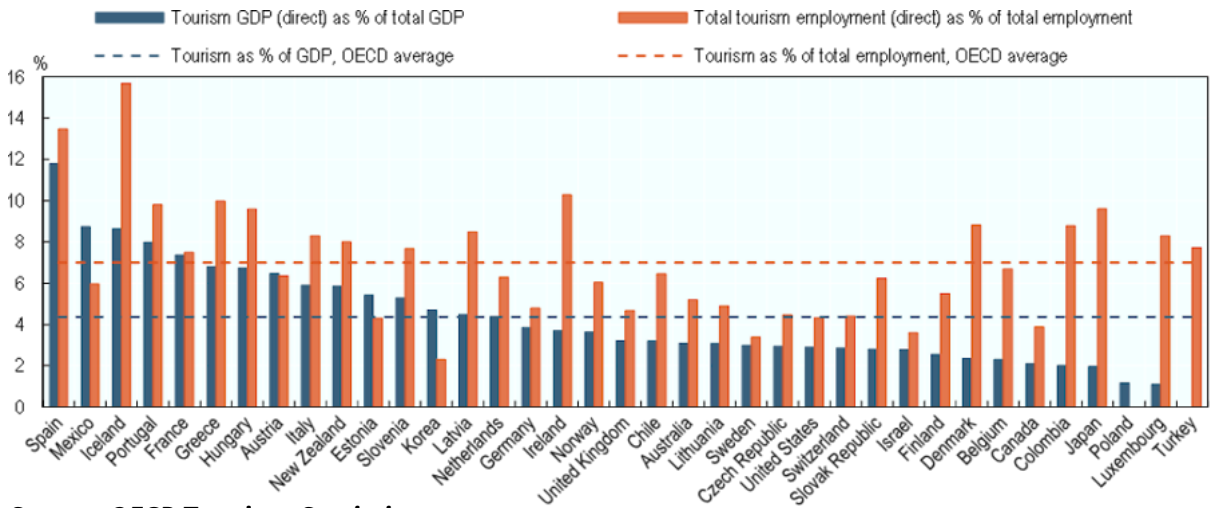
Travel might seem like a distant memory for many Europeans. But in the age of online booking platforms and hotel reviews, the travel and tourism industry would be unthinkable without targeted advertising to promote destinations and to offer consumers prices and hotel availability in real time. Tourism is a major contributor to national GDP and employment in many European countries according to OECD data. As the entire travel experience moves online - from researching, booking, to in-destination planning (17) - digital advertising becomes a key infrastructure on which the entire industry operates.

(14) - <https://www.ft.com/content/dfb16c93-9e1f-45ad-98c7-d477f05fa9f6>

(15) - [https://www.ansa.it/english/news/politics/2021/04/22/recovery-plan-221.5-bn-57-for-green-42-digital-draft\\_b19739a4-9292-4d86-a528-15772620ab26.html](https://www.ansa.it/english/news/politics/2021/04/22/recovery-plan-221.5-bn-57-for-green-42-digital-draft_b19739a4-9292-4d86-a528-15772620ab26.html)

(16) - <https://www.corrierecomunicazioni.it/digital-economy/made-in-italy-export-2021-verso-il-93-le-commerce-fara-da-traino/>

(17) - <https://www.thinkwithgoogle.com/consumer-insights/consumer-journey/consumer-travel-smartphone-usage/>



Source: OECD Tourism Statistics

When the Greek National Tourist Organisation (GNTO) launched its largest promotional campaign targeted at international visitors to reboot travel in 2021, it is unsurprising that 57% of budgets were allocated to ‘smart digital campaigns’ that leverage targeting (18). Successful advertising investments in tourism rely heavily on data-driven and targeting, (19) such as travel intent data to target in-market travellers, for hotels to adapt advertising to its occupancy rates, school holidays and destination weather. The notion of targeting context only grows as new Covid-related variables, such as vaccination rates, case rates and other epidemiological data are set to shape the future of travel in the coming years.

What holds true for SMEs in general, also applies to travel in particular. Small travel advertisers over-index on digital channels, driven by the ability for targeting and low entry barriers in terms of budget, according to a report by travel marketing specialist Sojern and researcher Dynata.

2019 Ad Spend, By Size of Advertising Budget



Approximately what percentage of your or your travel client's ad spend was allocated across the following media in 2019? Source: Sojern, 2020

Source: Sojern/Dynata

(18) - <https://news.gtp.gr/2021/05/13/all-you-want-is-greece-campaign-launches-as-tourism-restarts/>

(19) - <https://www.springer.com/us/book/9783319498485#aboutBook>

Targeted advertising is not optional for tourism. It is a natural extension of the travel business in the online domain and allows European regions and SMEs reliant on this income stream to participate in the global competition for travellers. Ending targeting wholesale would upend the entire economics of the travel and tourism industry and risk a knock-on effect on wider local economies including their cultural treasures.

## European Champions

Europe has developed into a key region for start-up investment. Venture funding reached record heights of €18bn (\$21.4bn) in Q1 2021, more than twice the amount invested in the same quarter 2020 (20). Long belittled on the global stage, the region (21) has become a hot-bed of innovation, attracting local and overseas funding alike (22). Europe is coming on track to deliver on its vision of being a centre for digital innovation and to compete on a global scale with the US and China. Unicorns, private companies valued over \$1bn, taking hold in Europe. In the first quarter alone, Germany added five new unicorns, Netherlands and Sweden two, and Austria, Denmark and France minted one new unicorn each (23).

Many of these businesses are consumer facing. Yet to thrive, they need to acquire and retain customers against global competition. Although 21st century businesses, they have elevated a last century truism from management guru Peter Drucker into their DNA:

*"Because the purpose of business is to create a customer, the business enterprise has two--and only two--basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business."* (24)

(20) - <https://news.crunchbase.com/news/european-venture-reaches-all-time-high-in-the-first-quarter-of-2021/>

(21) - Data referenced refers to Europe as a region, not just the EU-27.

(22) - <https://www.cnn.com/2020/11/26/sequoia-capital-vc-firm-looks-to-europe-for-start-up-success-stories.html>

(23) - <https://tech.eu/features/37643/here-be-unicorns-these-are-27-billion-dollar-startups-minted-in-europe-in-q12021>

(24) - [https://www.forbes.com/2006/06/30/jack-trout-on-marketing-cx\\_jt\\_0703drucker.html?sh=49d461ab555c](https://www.forbes.com/2006/06/30/jack-trout-on-marketing-cx_jt_0703drucker.html?sh=49d461ab555c)

Targeted advertising delivers more customers and reduces product friction (e.g. churn). For instance, using targeted advertising, Berlin-based DeliveryHero could lower its customer acquisition cost by 41.9% (25). Some businesses can outsource their digital advertising to an agency. But in a hyper-growth environment, marketing is always-on and needs specialists who sit within the business. Targeted advertising is so essential that many of these European Champions hire dedicated specialists in-house. Consider Swedish start-up wonder Klarna. One of its recent job postings reveals more than just a need for targeted advertising specialists. Like many others, it contains just those core skills that the European Commission sees integral for its data and AI strategy – from wrangling data to building statistical models with coding languages and data visualisation (26).

Digital advertising is itself a business of European champions. An entire cottage industry of European specialist companies such as ID5 from France and Beemray from Finland has emerged who are working on approaches that can personalise ads while in the future being much less data-intensive. As the European Union is looking to enact an industrial policy for data that is ethical and reflects European core values, developments in the media and advertising sector are a rare synthesis of regulation - fuelled by GDPR - and innovation that it should nurture rather than curtail.

A blanket ban on targeted ads would not just obstruct the ability of European digital champions to grow. It would undermine Europe's ability to compete on a global scale at large and run counter to other policy objectives such as a European data strategy or investment in AI. Targeted ads are a core ingredient to deliver on Europe's industrial policies and any regulation needs to consider trade-offs holistically.

## Supporting a Free And Pluralist European Media Ecosystem

A strong pluralistic and independent media ecosystem is vital for the European Union, its citizens, consumers, companies and democracies. It is a vehicle of social cohesion, promotion of European values and forum of informed debate (27). But it needs to be economically viable: economic freedom nurtures editorial freedom. Digital advertising is an indispensable foundation for that.

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(25) - <https://www.adjust.com/resources/case-studies/delivery-hero-and-tv-squared>

(26) - <https://jobs.lever.co/klarna/8f558efa-437d-4b60-9680-00bce19f5de7>; see also [https://deliveryhero.wd3.myworkdayjobs.com/DH/job/Berlin-Offices/XMLNAME--Senior--Data-Product-Manager---Ad-Tech--f-m-d\\_JR0004354](https://deliveryhero.wd3.myworkdayjobs.com/DH/job/Berlin-Offices/XMLNAME--Senior--Data-Product-Manager---Ad-Tech--f-m-d_JR0004354); <https://boards.greenhouse.io/deliveroo/jobs/2371355>

(27) - [https://ec.europa.eu/info/sites/default/files/guillaume\\_klossa\\_report\\_final.pdf](https://ec.europa.eu/info/sites/default/files/guillaume_klossa_report_final.pdf)

The shock waves of the pandemic have fast-forwarded digital transformation initiatives in the news industry. Investing in data, developing digital products and revenue streams are top priorities as incumbent revenues got under pressure and the world moved forever more online. Globally, print advertising and print circulation still makes up 82% of news media revenues. But they are in structural decline, accelerated by the turmoil of 2020. In digitally advanced economies like the US and Europe, many news media already generate more revenue from digital advertising and subscriptions than print, or are entirely digital (28). Despite the pandemic, digital advertising revenues were up 9% globally for news brands and digital subscriptions grew by 27%, according to the WAN-IFRA World Press Trends Report 2020-2021 (29).

## Revenue development



Source: WPT analysis based on historical data, Zenith (ad expenditure) and the WPT Outlook survey. Figures for daily publications only.

WAN-IFRA chart on revenue development

Source: WAN-IFRA

(28) - For instance, The Guardian generated 56% of revenue from digital operations in 2020: [https://uploads.guim.co.uk/2020/07/15/1\\_GMG\\_Financial\\_Statements\\_2020\\_FINAL\\_pdf.pdf](https://uploads.guim.co.uk/2020/07/15/1_GMG_Financial_Statements_2020_FINAL_pdf.pdf). In 2016, the British Independent stopped its print edition and moved entirely online.

(29) - <https://wan-ifra.org/insight/world-press-trends-2020-2021>

Digital subscriptions have become popular models for growth, but for most publishers they cannot substitute advertising income. The same WAN-IFRA report highlighted that 31% of news publishing leaders consider decline in advertising revenues as the biggest risk for their organisations and a 2017 survey by GfK found that 68% of European internet users would never pay for news content online (30). Shifting to a subscription economy without advertising could lead to a decline in free quality information, warns the European Parliament's CULT Committee (31).

Advertising funds a free internet. To grow advertising revenue, targeting is essential. 66% of digital advertising revenues in Europe used behavioural targeting – a subset of overall targeting approaches – in 2017 and advertisers pay on average 2.68 times more for ads targeted this way (32). Similarly, advertising without any form of personalisation 'from opted -out users' results in a 40.3% revenue decline for publishers according to another study (33).

The EU has itself posited that cultural diversity is a core strength of the European media landscape. It has invested €4m in a pilot project on content personalisation to preserve it in a digital world for "a better delivery of news, insights and [sic] informations in the right format at the right time, and better contextualised to the media consumer (34)." This is politically uncontroversial - note the positive connotation of the term 'personalisation' compared to 'targeting'. But this diversity needs to rest on a solid economic base. It seems paradoxical to disconnect the personalisation of content from the personalisation of advertising - both go hand in hand.

A blanket ban on targeted advertising - regardless of approach - would not only deprive publishers of crucial revenue sources as they transition to digital business models. It would also hamper the ability to deliver on the declared EU media strategy for personalised content in a sustainable way. Lastly, it would erect an artificial barrier in the European public sphere between citizens who have the financial means to pay for quality news, and those that don't.

Today, publishers have a historically unique opportunity to set the course for digital revenue growth. The entire system for targeting in digital advertising is currently being re-built for a cultural, social and political environment that places priority on user privacy and consent.

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(30) - <https://datadrivenadvertising.eu/latest-research/>

(31) - [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/690873/IPOL\\_STU\(2021\)690873\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/690873/IPOL_STU(2021)690873_EN.pdf)

(32) - [https://www.networkadvertising.org/pdfs/Beales\\_NAI\\_Study.pdf](https://www.networkadvertising.org/pdfs/Beales_NAI_Study.pdf)

(33) - [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3020503](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3020503)

(34) - <https://cordis.europa.eu/project/id/761488>

As individuals' personal data becomes less broadly shared, and tailored advertising becomes possible without it, publishers also have the opportunity to leverage direct relationships with readers in new ways that make them more competitive. Publishers have the benefit of trust, and if they can invest in technology tools and targeting to allow brands to tailor their advertising message, they can turn this trust into better service, personalised content while generating additional income (35).

Crucially, publishers have started collecting their own data (first party data) from opted-in audiences to turn it into bespoke segments, and to connect audience data with editorial context. This enables them to sell tailored ads at higher rates. For instance, Immediate Media, who owns special interest sites including BBC Good Food and Radio Times, witnessed advertising rates more than double through this approach (36).

These are not individual success stories, but rooted in deep collaboration across the European media sector. Media companies in Europe are coming together, forming alliances and partnerships to build innovative technologies to serve better, targeted advertising at a larger scale to attract more advertiser budgets, such as Ozone in the UK, NetID in Germany, Nonio in Portugal and PassMedia in France.

The European media and advertising industry is a trail-blazer globally to marry the abilities of tailored ads with privacy-first thinking. Most publishers in Europe are now using so-called first-party IDs, ahead of the US.

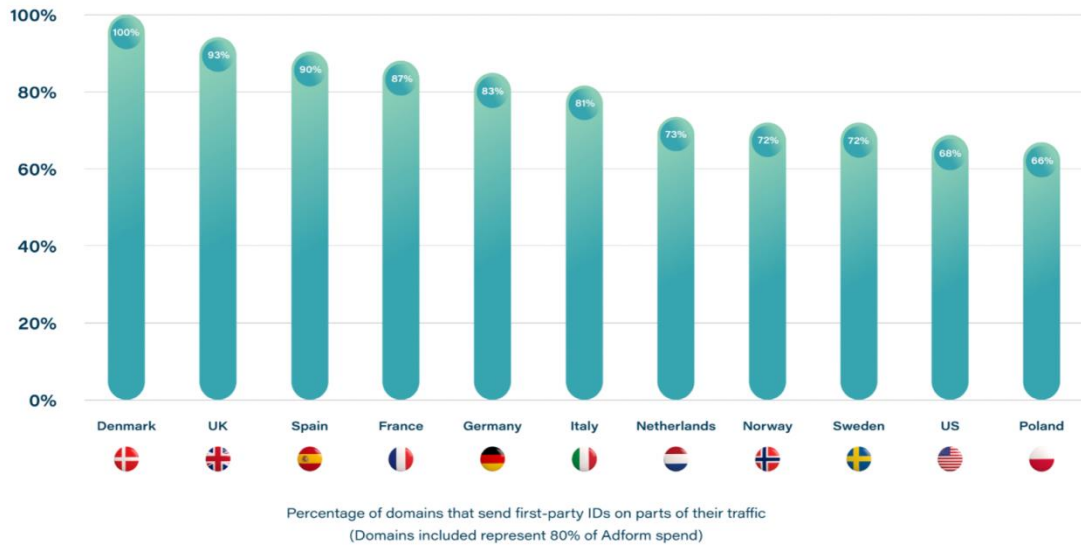
These innovation barriers go beyond the news media industry. European broadcasters are lighthouses in the production and dissemination of European content. But they are not immune to digital acceleration and increasingly compete for audience time and advertising revenues from online video services.

European broadcasters have launched their own video streaming services to capture this shift in advertising spend and have deployed major technical innovations to deliver relevant advertising to multiple screens.

(35) - <https://www.adexchanger.com/the-sell-side/how-publishers-can-win-back-ad-revenue-from-big-tech/>

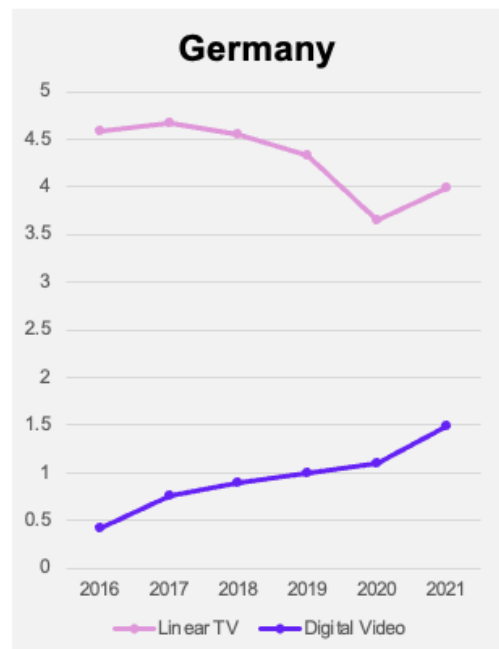
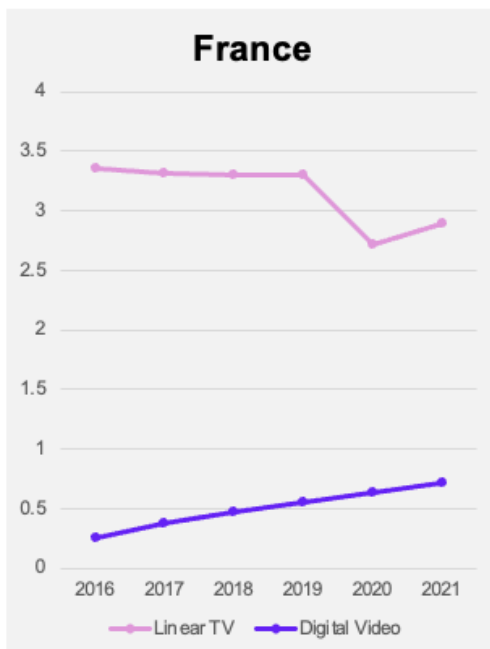
(36) - <https://www.raconteur.net/marketing/b2c-marketing/first-party-publishers/>

## Domains With 1st Party IDs



Source: Adform, percentages are based on Adform's largest domains that represent 80% of total ad spend.

## Net Ad revenue, €bn



Source: Magna Global

Since the beginning of commercial TV, all advertising has ever been targeted to reach specific groups and audiences. But the advent of data-driven innovation, of which technologies that enable targeting are a critical part, changes the competitive landscape and raises questions on how European media companies can thrive. In the Netherlands, RTL and Talpa proposed to merge to create a national powerhouse for TV, radio, print and digital media (37). In France, broadcasters TF1 and M6 announced to combine forces into a national champion (38). In both cases, securing European independence and supporting local content creation have been key drivers to grow ad-funded multiscreen offers that bridge TV and digital video. At the heart of the move is acknowledgement that commercial innovation enables cultural vibrancy.

Current heated debates about banning targeting reveal an EU media innovation paradox. The European Commission has recognised the need to reboot the European media sector through data-driven innovation with a series of tenders, such as 'A Digital European Platform of Quality Content Providers' (39). A blanket ban on targeted advertising would risk having a knock-on effect on data-driven innovation more widely and ultimately undermine the EU's own policy aims of strengthening the European media ecosystem.

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(37) - [https://www.rtlgroup.com/en/press\\_releases/2021/rtl-group-and-talpa-network-to.cfm](https://www.rtlgroup.com/en/press_releases/2021/rtl-group-and-talpa-network-to.cfm)

(38) - <https://www.hollywoodreporter.com/business/business-news/tf1-m6-merger-to-form-french-tv-giant-1234954929/>

(39) - <https://digital-strategy.ec.europa.eu/en/funding/digital-european-platform-quality-content-providers-pilot-project-2019-2020>

## Charting A Better Path

Targeted advertising is about more than mere business. It supports a pluralistic media landscape, provides vital support for SMEs as the backbone of Europe's economy, is intertwined with the promotion and protection of European culture, and it provides a growth engine for European champions.

Yet too often, the term is instrumentalised in ideological debates. It is an easy target just by virtue of its assigned name. If policymakers adopted terms like 'personalised', or 'relevant' advertising, the debate might look very different.

Like any industry, advertising has to evolve to ensure that the way it operates is not just compliant with regulation, but embodies changing social values and cultural norms. Pressure and ideas from outside and within the industry are needed and are currently rewiring the entire technical foundation of how targeting will work in a privacy-first world. Yet a ban on targeted advertising would be an impulse reaction with major knock-on effects that far outweigh a short-term political win.


Instead, we need a constructive debate on how the benefits of targeted advertising that uses data can be best combined with social values and cultural norms that allow Europe to foster long-term prosperity. Only at first glance is this discussion merely about advertising. Actually, the same debate will pervade all industries. Advertising is a trail-blazer as the first large industry to develop and deploy solutions that allow the use of data while preserving privacy and other cultural values. Supporting their development and critically querying these solutions is far more constructive than a gut reaction to call for a ban. The evolution of advertising and its approach to targeting can shepherd other industries and parts of society in their digital transformation.


In a twist of global diplomacy, many innovations in targeted advertising are themselves European, or influenced by European regulatory or cultural paradigms. This is a strong position to be in to constructively shape the digital economy at large.

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