

## The Conservative Party's Review of the Creative Industries Response by the Internet Advertising Bureau

### 1. Introduction

- The Internet Advertising Bureau (IAB) is the UK trade body for digital advertising, representing nearly 500 businesses engaged in digital marketing, including media owners, agencies and advertisers.
- The internet is the fastest growing advertising medium in the UK. In fact, it is currently the only growing advertising medium in the UK. Online ad spend for the full year 2008 was just over £3.3bn, making up 19.2% of the total £17.5bn UK advertising sector.<sup>1</sup> Advertisers in the UK today spend £1 in every £5 online, the largest of any nation.<sup>2</sup> Although still a nascent market, expenditure on mobile advertising in the UK was £28.6m in 2008.<sup>3</sup>
- Digital advertising is the lifeblood of the UK, EU and global digital economy: it is fundamental to the accessibility, affordability and dynamism of the internet. Advertising helps support many of the services, content and applications on the internet, making them available to UK citizens free of charge (eg search engines, webmail, social networking websites, price comparison sites, productivity suites, blogs and video/photo sharing).
- Digital advertising supports many new online businesses and services. It also drives online commerce, particularly at a time of economic slowdown and recession. 17 pence in every £1 is spent online in the UK – larger than all high street retail sales for clothing and footwear and equivalent to roughly half of all supermarket sales.<sup>4</sup> Online commerce itself is worth over £46bn to the UK economy and continues to grow by 9% each month, even in the current downturn.<sup>5</sup>
- We welcome the Conservative Party's Review of the Creative Industries and focus our comments upon what is needed to stimulate investment in UK digital businesses and government's role in making the UK a global centre for the digital industries.

### 2. How do we stimulate investment in UK digital businesses?

- The UK is one of the most important global markets for digital businesses. The strength of the advertising market makes the UK the European entry market of choice for many non-UK investors in online media and commerce. More than two-thirds of all pan-European advertising deals are managed through London, supporting innovation in UK digital businesses.
- Digital advertising makes a significant contribution to the UK's creative economy which, in itself, contributes £60bn to the economy.<sup>6</sup> It helps fund content, innovation and entrepreneurialism. Advertising networks, for example, generate millions of pounds for publishing partners via advertising on their websites, driving traffic to these sites and providing a source of funding for the content and services they provide.
- The IAB has been disappointed that UK public policy on digital media has – to date – overlooked the contribution that advertising makes to the UK's digital economy. Any review of this sector must recognise and understand the significant contribution it makes to the UK (digital) economy.
- New advertising techniques are particularly important in helping build additional strong revenue streams for digital media and helping to fund creative UK content. Behavioural advertising – for example - is a way of making advertising on the internet more relevant to user interests based upon previous web browsing activity. It offers users more customised and relevant advertising. Most importantly, it offers media owners a higher return on advertising inventory and is more cost-effective for advertisers. Currently making up 10-15% of the UK online display advertising market, it is a technique that will continue to grow.

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<sup>1</sup> IAB/PwC/WARC

<sup>2</sup> Ofcom International Communications Report – November 2008

<sup>3</sup> IAB/PwC

<sup>4</sup> IMRG CapGemini – July 2008

<sup>5</sup> IMRG

<sup>6</sup> Creative Britain – February 2008

- IAB acknowledges the importance of earning user trust and confidence in novel advertising techniques. It is for this reason we developed (and published in March 2009) Good Practice Principles for behavioural advertising.<sup>7</sup> We look forward to working with others in the advertising sector to further develop ways of promoting transparency and awareness among UK internet users.
- The IAB acknowledges the significant importance of digital infrastructure – in particular fixed and mobile broadband – in enabling UK citizens to access a wide range of online services, content and applications. In particular, we recognise the importance of building infrastructure to connect all UK citizens – regardless of geography - as well as faster data speeds to provide richer, bandwidth-hungry services, such as video, gaming and ‘TV like’ services. However, to date we believe the ‘debate’ has focused too much on infrastructure and too little on the demand-side i.e. creating the right market structure and investment climate for digital businesses to invest and help fund the majority of these services and content.
- We acknowledge the decline in advertising revenues in traditional media, such as broadcast and print. This change is not unexpected but we believe that there is a need for a market structure which facilitates new entrants to easily develop advertising-supported business models, including those that – for example - support regional media. This is particularly important in a global downturn when budgets – both business and household – are squeezed and whilst, at the same time, this climate is fuelling further adoption of digital technologies and greater use of the internet.
- Traditional business models must evolve and adapt to the digital environment. A good example is the evolution of the existing system for licensing music works in online advertising. Licensing bodies favour an approach designed for traditional media which would have the effect of introducing onerous technical requirements and increasing costs for online media owners and advertisers alike. In the longer term, this would disincentivise the use of music in advertising and result in additional revenues exiting the music industry, to the detriment of artists wishing to exploit this new revenue opportunity. The IAB supports rights holders being properly compensated for music works used in online advertisements. However, this approach seems designed with traditional media in mind rather than online business models.

### 3. What is the role for government?

- It is important to encourage digital infrastructure in geographic locations where the market may not deliver, such as rural areas. It is important that this is done in a way which supports an evolving and dynamic market structure, which is ripe for investment in advertising-supported digital businesses.
- Online privacy is an important issue for any review of the digital creative industries. Government (and regulators) has an important role in upholding the existing legal framework. However, we believe government should also specifically commit to support industry self-regulation and good practice - which builds upon existing data protection law - to address privacy concerns and help build user trust. We welcome the Government’s support for the IAB’s Good Practice Principles for behavioural advertising in beginning to deliver this.

### 4. Conclusion

- **The Conservative Party’s Review therefore needs to support the contribution that advertising makes to the UK’s digital economy, in particular new and innovative advertising techniques such as behavioural advertising, and a market structure to facilitate investment in digital businesses.**
- **The digital media sector has a good track record in self-regulation to protect consumers and build greater user awareness. Industry self-regulation and good practice should be welcomed and supported in complementing existing law in areas such as online privacy.**

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<sup>7</sup> [www.youronlinechoices.co.uk/en/1/behaviouraladvertisinggoodpractice.html](http://www.youronlinechoices.co.uk/en/1/behaviouraladvertisinggoodpractice.html)