

## All Party Parliamentary Group on Communications: Inquiry into internet traffic. Response by the Internet Advertising Bureau.

### 1. Introduction

The Internet Advertising Bureau (IAB) is the UK trade body for digital advertising, representing over 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>.

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 also supports many new online services which are being driven by consumer demand. UK citizens are among the most digitally advanced consumers in the world. They spend 14 hours per week on the internet, an increase of nearly 6.5 hours per week (between 2004 and 2008), the highest increase among the countries surveyed by Ofcom.<sup>3</sup>
- Digital advertising 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.<sup>5</sup>
- Digital advertising helps fund content, innovation and entrepreneurialism. Search engines, 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 welcomes the opportunity to contribute to the apComms inquiry. Our response specifically addresses the questions relating to behavioural advertising and online privacy (questions two and three). We hope our response will provide a general understanding about behavioural advertising, its benefits, as well as the approach the IAB is taking to offer greater transparency and user choice. We would be happy to provide further information on these issues, including oral evidence to the Committee in June.

### 2. Key Points:

- **The IAB does not believe that government intervention over behavioural advertising services is necessary at this time. We believe the current legal framework is sound and efforts should focus on transparency of what data are used and how and on securing user trust.**
- **The IAB believes that the Committee should encourage self-regulatory initiatives to address privacy concerns relating behavioural advertising. We would welcome the Committee's support for the IAB's Good Practice Principles as an important starting point in building greater transparency and user trust in the practice of behavioural advertising.**

---

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

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

<sup>3</sup> Ofcom International Communications Report – November 2008

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

<sup>5</sup> IMRG 2007

- The IAB is concerned by initiatives within Europe – specifically the Council of Europe – that seek to extend the current EU data protection legal framework in key areas, such as behavioural advertising without proper consideration of the salient issues. Acting before the complexity of the issue has been considered in detail will have a detrimental impact upon digital advertising and other online services that UK consumers enjoy and value.
- The IAB would urge the Committee to welcome and support ongoing self-regulatory and educational efforts, rather than recommending a new approach or initiative on online privacy.

### 3. An introduction to behavioural advertising

As in the ‘offline’ world, the collection and use of data online plays an essential role in delivering valued and more relevant content, services, advertising and opportunities (such as employment) to citizens and consumers. Online, it is a means to deliver these in a way which reflects the wishes and interests of users, more than any other medium. Importantly, advertising plays a fundamental role in the UK’s and Europe’s information society providing consumers with such services and regardless of socio-economic factors, such as income. Behavioural advertising is increasingly making an important contribution to this.

Behavioural advertising is not a new phenomenon. It occurs in the ‘offline’ world: for example, television programmes ‘recommendations’ on Personal Video Recorders (PVRs) based upon a user’s previous viewing habits. On the internet, it is a type of advertising based upon anonymous web browsing activity which is collected and grouped into interest ‘segments’ (such as cars, finance and travel) to provide more targeted and relevant marketing messages. It works using a ‘cookie’ – a small file of random letters and numbers – which is placed on a computer’s web browser to ensure the relevant advertising reaches the right ‘segment’ of users. A cookie does not in itself collect any information.

Behavioural advertising is different to other types of targeted advertising on the internet, such a contextual or demographic advertising.

- **Contextual advertising** is where advertisements are served within a chosen ‘context’ by the selection of a website focused on a particular topic. This is the most common form of internet advertising. An example: a user is shown an advertisement for tennis rackets solely because he/she is visiting a tennis-related website.
- **Demographic advertising** is where advertisements are served based upon specific information provided by the user (eg gender, age, location). An example: a teacher living in London who has registered on a jobs website is shown advertisements for teaching opportunities in London whilst on that site but not necessarily in the teaching section.

There is a range of different business models for behavioural advertising, varying in the scope of what information is used and how it is collected. For example:

- A publisher may collect and use information on a user’s activities from its own website(s) to provide behavioural advertising. This is often known as ‘first party’ or ‘intra-site’ advertising.
- A publisher partners with an advertising network which collects and uses information when an internet user visits one of a number of websites participating in that particular network or information about searches that user has made. This is known as ‘third party’ advertising.
- Other providers make use of internet traffic data passing through Internet Service Providers (ISPs).

A simple example is as follows: an internet user who visits golf websites on a regular basis will be categorised in the “golf enthusiast” segment with the interests of thousands of other users who have visited similar websites. In a future online session, they could then be served advertisements (for example, golf equipment) that are more likely to be relevant to the interests of a user passionate about golf.

Behavioural advertising provides significant benefits to consumers and internet users. Users receive more relevant advertising related to their interests (and less advertising that they are not interested in). Research<sup>6</sup> by IAB suggests that consumers value this, particularly when it supports the provision of content, services and applications for little or no cost. Behavioural advertising provides content producers and publishers with revenues to help them invest in richer online content, services and applications which consumers will enjoy and benefit from. It also helps advertisers to better communicate with consumers knowing that their audience has demonstrated an interest in their products and services, thereby extending everyday user choices and aiding purchase decisions.

#### **4. Should the Government be intervening over behavioural advertising services, either to encourage or discourage their deployment; or is this entirely a matter for individual users, ISPs and websites?**

**IAB does not believe that government intervention over behavioural advertising services is necessary at this time. We believe that the underlying legal framework for the protection of personal data is sound.** Government and regulators continue to have an important role to play in enforcing data protection law. However, at this moment in time, efforts should focus on supporting and growing existing industry self-regulatory initiatives and schemes which aim to raise consumer awareness and understanding of how data are collected and used to serve more relevant advertising.

UK behavioural advertising currently makes up between 10-15% of all online display advertising (in 2008, online display advertising spend was £637m). Enders Analysis predicts that this is likely to grow to 30% by 2013. The IAB believes this may be a conservative estimate. However, we acknowledge the privacy concerns surrounding behavioural advertising and believe that, in order for the sector to continue to grow, transparency and choice is needed to build greater user trust in the practice.

This is the underlying philosophy behind the development of the IAB's self-regulatory Good Practice Principles for the UK behavioural advertising market.<sup>7</sup> These Principles – published in March 2009 - have been developed by leading providers of behavioural advertising, such as major advertising networks (eg Google, Yahoo! and Platform A), technology companies (eg Audience Science and Wunderloop) and also providers of targeting using ISPs (eg Phorm). These providers collect and use online information – in some cases both personal as well anonymous – to deliver behavioural advertising.

The Principles complement and, in some cases, supplement the UK legal framework. They address a broader scope than required under existing law, by covering the use of all information used for behavioural advertising – both anonymous information and personal data (in the UK this is primarily addressed by the Data Protection Act 1998 and the Privacy and Electronic Communications Regulations 2003).

There are three core Principles that signatories have committed to:

##### **A. Notice:**

A company collecting and using online information for behavioural advertising must give clear and unambiguous notice to users that information is being collected for this purpose. This notice will need to include details on what type of information is collected, how the information is used and how users can opt-out.

##### **B. User choice:**

A company collecting and using online information for behavioural advertising must provide a mechanism for users to opt-out. Where personally identifiable information (ie information that can actually identify a person, such as a name, street address, email address or telephone number) is obtained, informed consent must be obtained, as is required by data protection law. In addition to this, there may be occasions – as required by law or regulatory guidance - where businesses will need to obtain specific consent and provide a clear and unavoidable statement to the internet user about the product and ask the user to exercise a choice whether or not to be involved.

---

<sup>6</sup> IAB/Toluna Research (February 2009) found that over 50% of internet users would prefer to receive internet advertisements that were more relevant to the things they're interested in, whereas only 9% would not. 85% of internet users would prefer to browse the internet for free with advertising on websites, whereas only 14% would prefer to pay a small premium and not have advertising.

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

### C. Education.

A company collecting and using online information for behavioural advertising must provide users with clear and simple information (such as online video) about their use of information for this purpose and how users can opt-out. Many businesses already provide this type of information and the Principles state that this information will need to be linked to the IAB's new information website – [www.youronlinechoices.co.uk](http://www.youronlinechoices.co.uk).

The new website complements the launch of good practice and provides clear and simple information about behavioural advertising, how it works, the benefits and how privacy is protected. It also provides users with some top tips for protecting online privacy, such as how to get familiar with web browser privacy settings. It will eventually feature an easy-to-use way for users to opt-out of behavioural advertising by those companies that have signed up to the Good Practice Principles.

The Good Practice Principles also include a specific commitment relating to children: no business that collects and uses information for behavioural advertising (and has agreed to the Principles) will create an 'interest segment' intended for the sole purpose of targeting children under the age of 13 years of age. The IAB is committed to discussing areas of other potentially sensitive information with wider stakeholders and keeping this issue under review.

The Information Commissioner's Office (the UK data protection regulator), the UK Government and Ofcom have all welcomed and publicly endorsed the Good Practice Principles. The IAB consulted with key stakeholders within industry as well as with privacy and consumer groups in developing this initiative. We are currently meeting with other stakeholders outside of the industry – such as MPs and Peers – to brief them on the Good Practice Principles.

**We believe the Committee should encourage the development of self-regulatory initiatives as a means of addressing privacy concerns arising from behavioural advertising. We would welcome the Committee's support for the IAB's Good Practice Principles as an important starting point for building greater transparency and user trust in the practice of behavioural advertising.**

**However, we are concerned by certain initiatives – specifically the Council of Europe – that intervene and seek to extend the current EU data protection legal framework in key areas, such as behavioural advertising, in a way which will have unintended consequences for digital advertising and other online services that UK consumers enjoy and value. Specifically, we recommend that the Committee urges the UK Government to press for amendments to the Council of Europe's draft Recommendation so that it gives industry the legal certainty of being consistent with the existing legal framework that they operate in.**

#### **5. Is there a need for new initiatives to deal with online privacy, and if so, what should be done?**

There are already many self-regulatory initiatives – at a company and national level - tackling online privacy, building upon existing legal framework to protect personal data. The IAB's Good Practice Principles for behavioural advertising are a good example in the UK. There is also the Network Advertising Initiative (NAI) [www.networkadvertising.org](http://www.networkadvertising.org) in the USA. **We would urge the Committee to formally welcome and support these initiatives, rather than recommending a new approach or initiative on online privacy.**

It is important to note that the IAB's Good Practice Principles cover one section of the internet 'value chain' ie those businesses that collect and use online information for behavioural advertising. This has been our starting point in building greater user trust and signatories are committed to ensuring that the Principles evolve with changing technology and business models. However, other players within the 'value chain', such as ISPs, publishers, advertisers and digital agencies could help by developing additional guidance, specific to their use of data and their interactions with end users. ISPs and publishers in particular own the all-important relationship with end users and have a critical role to play in reaching out to consumers and raising awareness of behavioural advertising.

For further information please contact Nick Stringer on 07957 691803 or at [nick@iabuk.net](mailto:nick@iabuk.net)