

IAB UK—written evidence (FON0039)

House of Lords Communications and Digital Select Committee inquiry: The future of news: impartiality, trust, and technology

About IAB UK

1. The Internet Advertising Bureau (IAB UK) is the industry body for digital advertising. Digital advertising incorporates a wide range of media and formats such as display advertising on websites, social media and in apps; search advertising; affiliate advertising; and classifieds. The digital advertising business model underpins the free internet.
2. The IAB's purpose is to build a better future for digital advertising for the benefit of everyone. We represent and bring together all elements of the digital advertising supply chain through our 1,200 members, including media owners and news publishers, agencies and advertising technology companies, and through our Board, which comprises 25 leading businesses in the sector.¹
3. We actively engage with our members to develop and drive adoption of standards and good practice, including the [IAB UK Gold Standard](#), to maintain a responsible and trusted sector and ensure that the UK continues to be a world-leader in digital advertising. We also represent the digital advertising industry on the Committee of Advertising Practice (CAP) that sets the rules for advertising online in the UK.
4. Given the IAB's remit, this submission provides context on the ad-funded model that facilitates the sustainable creation and publication of news in the UK.

Introduction

5. Digital advertising is a UK success story. IAB UK's 2023 [The Digital Dividend](#) report shows that, in addition to supporting two million jobs, the industry drove £73bn increased sales for UK companies that invested in digital advertising in 2022, of which £26bn went to small- and medium-sized enterprises (SMEs).² For every £1 spent on digital advertising, £4.80 is contributed to the UK economy.
6. Crucially, revenue generated by advertising helps fund the provision of content and services online. Without ads, free-to-access news websites could not exist, and as such the ad-funded business model plays a critical

¹ IAB UK member directory: (www.iabuk.com/member-directory?title=&company_type=All&company_badges=13041&sort_bef_combine=title_ASC)

² IAB UK Digital Dividend Report published October 2023 (<https://www.iabuk.com/digitaldividend>)

role in monetising digital content and audiences for businesses and democratising access to services such as local news media for consumers.

Media plurality

7. The digital advertising business model plays a role in helping to support a diverse UK news environment to the benefit of UK citizens.
8. The majority of UK news publishers operate a digital advertising model, with some adopting additional alternative revenue streams (such as via subscriptions, events or membership schemes). Digital advertising formats also support the provision of other news media, such as Video-on-Demand services³, the digital audio streams of Ofcom-licensed UK radio, as well as the growing podcasting market.
9. Data published by the Advertising Association and WARC showed that total spend on online advertising in the UK news industry had increased by 2% in 2023 to £937m.⁴ Of this figure, £259.2m was spent on regional news brands. This funding helps support the production and provision of news both at the national and local level, much of which is free to access.
10. However, the digital advertising market is still relatively nascent for news brands, and with various factors affecting the sector, many digital publishers and broadcasters continue to rely on revenues derived from legacy formats. We outline some of the specific policy challenges at the end of this submission.
11. Local news media in particular is essential to the economic and societal health of local areas. Research conducted by Ofcom in 2022 showed that, while the reach of printed newspapers decreased between 2020 and 2022, the reach of online news remained the same, meaning that UK-originated news has a significant online readership.⁵ In June 2023, 70% of UK consumers surveyed by the IAB said that they had read local news via an online newspaper or news website in the month prior to the survey.⁶ Crucially, 77% of these respondents cited keeping connected to the local community as a helpful benefit of this news access.
12. IAB UK's ongoing regional roundtable series with constituency MPs, local SMEs and media outlets in [Newcastle](#), [Stoke](#) and [Leeds](#) has reinforced the

³ It is worth noting that there is a specific prohibition on the sponsorship of news and current affairs programming for both broadcast and Video-on-Demand, as a consequence of the Ofcom Broadcasting and On Demand Programme Services Codes. Such restrictions do not apply to licensed Audio or news publisher sites.

⁴ Findings from Advertising Association/ WARC Expenditure report April 2023: (www.pressgazette.co.uk/marketing/uk-ad-spend-in-news-2022-2023-2024).

⁵ Ofcom report: 'News Consumption in the UK' July 2023: (www.ofcom.org.uk/_data/assets/pdf_file/0024/241827/News-Consumption-in-the-UK-Overview-of-findings-2022.pdf)

⁶ IAB UK Digital Dividend Report published October 2023 (<https://www.iabuk.com/digitaldividend>)

importance of digital advertising to the economic viability of free-to-access hyperlocal and local information and to local and regional media plurality.

13. Given the democratic and societal benefits that flow from having a plural and diverse media, it is imperative that news brands can continue to monetise their offer with advertising.
14. In addition, many UK consumers place great value on ad-funded services. The IAB's own research shows that 70% of adults in the UK say that it is important to them that these services, including news, are provided free of charge.⁷ This is particularly crucial in the current economic climate, in which 85% of adults say that they are worried about inflation and rising costs.⁸
15. IAB UK members are committed to supporting a healthy news ecosystem. Collectively, the ad industry has done a great deal of work to highlight and emphasise the value of quality media to advertisers and encourage them to support authentic news content when choosing where to spend their advertising budgets. For example, during the first 2020 lock down, the IAB played a facilitating role, supporting the industry in discussions with the government to address 'keyword blocking'. Keyword blocking is where a brand or their agency uses a list of terms that they do not want their advertising to appear against. News publishers who were hosting a significant volume of content - including vital public health messaging - found that their advertising revenues were being impacted by advertisers choosing to block terms related to the Covid-19 pandemic. Through industry education, this practice was reversed, as advertisers began to understand the ramifications of withholding their advertising from this type of content.

Maintaining the viability of the ad-funded business model that supports news provision

16. The continued ability for news brands to monetise their offering online is challenging. To ensure the long-term sustainability of the ad-funded model that the majority of news publishers depend on for revenue, it is vital that all parts of Government work in partnership with industry to ensure that any further proposals for regulation of digital advertising are targeted, proportionate and evidence-based, and do not have unintended consequences for UK digital advertising businesses, including news brands.
17. There are currently a number of concerning regulatory changes being proposed or implemented that are poorly designed and stand to impact the ability of media owners to monetise their content. These include:
 - I. New measures found in Chapter 2, Part 4 of the Digital Markets, Competition and Consumers (DMCC) Bill will impact the subscription

⁷ IAB UK Digital Dividend Report published October 2023 (<https://www.iabuk.com/digitaldividend>)

⁸ IAB UK Digital Dividend Report published October 2023 (<https://www.iabuk.com/digitaldividend>)

model used by some news organisations. It is clear that any such changes to existing funding frameworks make certainty in digital ad revenues all the more important.

- II. Media owners are facing challenges monetising their content and audiences via advertising due to the existing data protection and e-privacy regime, which is not risk-based and does not allow cookies for functional purposes such as ad measurement and billing to be used unless a person actively opts in, even though they present a low risk to people’s privacy. The DPDI Bill No.2, currently passing through Parliament, provides an opportunity to implement a simple solution to this problem, which is particularly important in light of recent ICO cookie-related enforcement work targeted at the most popular UK websites, based on its interpretation of the existing law. This work is specifically affecting a range of UK news publishers who have been included in the ICO’s engagement. The consequences are likely to lead to an increase in the proportion of consumers rejecting the use of all cookies, regardless of their purpose, including those that are necessary for publishers to sell and receive payment for their advertising inventory. This creates a real and serious risk of undermining the viability of the ad-funded business model.⁹ The Committee should encourage the Government to support the ad industry’s proposal for the Bill to be amended to allow these non-intrusive cookies to be used on an opt-out basis.¹⁰
- III. More widely, the Government is reviewing the regulatory framework for digital advertising through the Online Advertising Programme (OAP). We are concerned that the Government intends to legislate through the OAP to impose statutory requirements on publishers, digital advertising intermediaries and platforms, without sufficient evidence of the need for statutory intervention of this nature, or a proper understanding of market impacts. The Government should focus on non-legislative solutions that can be delivered in partnership with the legitimate part of the industry through the Online Advertising Taskforce, and ensure that any further regulatory interventions are targeted at the bad actors who are responsible for illegal or harmful ads, who do not adhere to existing regulation.
- IV. Finally, we would flag the prohibition of all online ads for products categorized in law as ‘less healthy food and drink’ (LHFD) that is due to come into force in October 2025. The ban is designed to limit the exposure of children to these ads, but in practice it will impact all ad-funded services irrespective of whether children use them, including

⁹ <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2023/11/commissioner-warns-uk-s-top-websites-to-make-cookie-changes/> and <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/01/ico-warns-organisations-to-proactively-make-advertising-cookies-compliant/>

¹⁰ For background see: <https://www.iabuk.com/news-article/data-protection-digital-information-bill-returns-parliament>. Further details can be provided on request.

those with predominantly adult audiences like news publishers. The consequence of this is that news publishers will be unable to carry LHFD advertising online from October 2025, despite the fact that this advertising will continue to be permitted in printed product, radio and online radio.

12 February 2024