

# Written evidence submitted by ISBA

## Response to the Digital, Culture, Media and Sport Select Committee *Impact of covid-19 on DCMS sectors*

June 2020

### About ISBA

1. ISBA is the only body representing leading UK advertisers. Speaking with one voice on behalf of over 3,000 brands, we champion an advertising environment that is transparent, responsible and accountable; one that can be trusted by the public, by advertisers and by legislators. Our network of senior marketing professionals works together with ISBA to help members make better decisions for the future.
2. ISBA is one of the tripartite stakeholders that make up the Advertising Association (AA), which represents advertisers, agencies and media owners. We play a unique advocacy role, ensuring our members' interests are clearly understood and are reflected in the decision-making of media owners and platforms, media agencies, regulators and Government.
3. ISBA's goals are to:
  - lead our members in creating an advertising environment that delivers positive social and economic impact;
  - champion media, agency and digital supply chain relationships that deliver value for advertisers; and
  - work with our community of members and with partners to deliver thought leadership, learning, advice and guidance.
4. Our priorities fall into the following areas.

To lead the creation of an advertising environment that delivers positive social and economic impact, ISBA will:

- develop and champion a leadership position on the legal and ethical use of consumer data, putting choice and control in the hands of the consumer;
- play a leading role in advocating and shaping regulation of online harms;
- shape future self- and co-regulation of advertising to be sustainable and fit for purpose; and
- with the AA, better understand the drivers of public trust and champion improvement, through the promotion of advertiser best practice, through advocacy for better industry standards and through encouraging the prioritisation of user experience by platforms and publishers.

To champion a media, agency and digital supply chain relationships that deliver value for advertisers, ISBA will:

- lead global efforts to accelerate delivery of accountable cross-media measurement of video and digital formats, with stakeholder support;
- lead advertisers in the pursuit of transparency and efficiency in the digital supply chain to engender trust;

- publish new media contract advice and drive wider industry adoption of ISBA's contract frameworks;
- champion closer agency/client alignment based on sustainable commercial arrangements;
- advocate for a regulatory environment that fosters competition and addresses market failures;
- actively support the WFA Media Charter, particularly in relation to advertising and influencer fraud; and
- support the Global Alliance for Responsible Media in delivering improved measurement and tools to keep communities and brands safe.

To work with our community to deliver thought leadership, learning, advice and guidance, ISBA will:

- drive wider active engagement with ISBA through membership growth and greater participation in ISBA's working groups and governance bodies; and
  - deliver an enhanced online knowledge base, working selectively with partners to create high quality, relevant content.
5. ISBA represents advertisers on the Committee of Advertising Practice (CAP) and the Broadcast Committee of Advertising Practice (BCAP) – the sister organisations of the Advertising Standards Authority which are responsible for writing the Advertising Codes. We are also members of the World Federation of Advertisers (WFA). We use our leadership role in such bodies to set and promote high industry standards, as well as a robust, independent co-regulatory regime.

## **Context**

6. ISBA welcomes the Committee's focus on the impact of covid-19 on the advertising and marketing sector – the third-largest in the UK economy. Before the onset of the pandemic, the sector supported nearly a million jobs across the country, over half of them outside London. It is the engine of our creative and technology industries and, at the most recent estimate, adds £120 billion to UK GDP. The health of the sector is therefore critical to the wider economy.
7. In common with the rest of the economy, covid-19 has brought unprecedented disruption to advertising and marketing. Revenues and ad spend have plummeted as plans have been changed and advertising has been pulled across sectors from broadcast to online. Advertising production has ceased. Some sectors of our industry have experienced near-total closure of their operations, not least tourism, cinema, and hospitality. Meanwhile, the impact of the lockdown has meant the closing off of other advertising opportunities, such as around sporting and cultural events.
8. Our colleagues at the Advertising Association have set out the figures on the decline in ad spend in their submission to the Committee. WARC has projected a 16.7% decline in ad expenditure in 2020 compared to 2019, with the deterioration focused primarily in Q2 and Q3 of 2020, although with the possibility of a long tail into 2021. Recovery will, of course, depend on the measures which governments at national and devolved level take as the lockdown eases and different parts of the economy re-open. There will doubtless be increase in spend as this occurs; however, we should be cautious about predicting a strong early return in ad spend, not least due to the impact of the shutdown on ad production and the supply chain, which means that an increase in ad spend will take time; and the as-yet-unknown ways in which consumers and the public will respond as the lockdown relaxes. In the words of Enders Analysis:

We are not of the view that post-covid-19 'nothing will ever be the same'; we do believe that after this crisis is over people will shop, socialise, eat out, travel, and watch live sport. But, on the other hand, we strongly believe that vast swathes of the economy ... will be very fragile ... We do believe that many things won't feel quite as they used to, and marketing budgets will be under immense pressure.<sup>1</sup>

9. The Advertising Association has also set out the ways in which government departments have engaged with the sector during the crisis. We welcome the engagement which has taken place and ISBA has played a key part in liaising with DCMS and tackling public policy challenges which have arisen. In this submission, we summarise the major outcomes from this and look to how the sector can emerge from the covid-19 crisis reformed, so as better to play its key role in adding value to the UK economy and supporting jobs, exports, and growth.

### **Engaging with Government**

10. As the trade body representing UK advertisers, ISBA has taken part in regular discussions with DCMS civil servants, Ministers, and the Secretary of State during the course of the pandemic. High on the agenda during these talks has been the issue of how advertisers can support trusted news stories and the delivery of crucial public health messages during the crisis.
11. Since February 2017, when stories ran showing that brands were unwittingly supporting terrorist content on video-sharing platforms, the industry has stepped up its activity around brand safety. This has included the use of inclusion and exclusion lists, where brands have used keyword blocking to prevent their ads appearing next to content which may be unacceptable or illegal.
12. With the advent of coronavirus, there has also been a surge in disinformation and 'fake news'. Faced with the prospect that their advertising may appear next to quack cures, incorrect health advice, or harmful messages, some brands added 'coronavirus' and related terms to their exclusion lists. As this was done at a time when ad spend in general went into decline, some believed that this was contributing first to financial harm being done to news publishers, and second to difficulties in getting across public health messages to essential audiences.
13. On April 1st the Executive Chair of Newsworks, the marketing body for national newspapers, wrote to advertisers suggesting that the total financial loss to news brands of this keyword blocking could reach £50 million over the course of three months. They asked advertisers to "remove blocklists from trusted UK news brands to ensure they can continue to fund quality British journalism at a time of national crisis".
14. While it is certainly the case that keyword blocking may have had some effect on revenues, it is important to place this issue in the wider context of the disruption to the advertising industry. AA/WARC spending estimates for the second quarter show a drop of 39% in overall spending, with TV spending dropping by 47%. Against this backdrop, declines in advertising revenue for regional and national digital news brands of 41%, or some £45 million of spend, would appear to be more consistent with the overall pattern of reduction in activity than the result of news avoidance.
15. Nevertheless, clearly there was work to be done to ensure that advertisers' commitments to brand safety and avoiding funding unacceptable content was balanced with the need to engage target audiences with essential public health messages. To that end, in the first instance, we supported a letter which the Secretary of State sent to advertisers

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<sup>1</sup> Enders Analysis, [News media challenges brought to a head](#), April 2020, p8.

asking them to “support quality journalism and take a nuanced approach to their use of keyword blocking” (full text available [here](#)). Secondly, in concert with Newsworks, the Association of Online Publishers (AOP), IAB UK and the IPA, we provided guidance to advertisers and their suppliers to ensure uninterrupted access to responsible news media inventory.

16. This [guidance](#) recognised that keyword blocking is a critical component of a blended solution which delivers a nuanced approach to blocking. Taking into account the fact that not all covid-19 content is damaging, we expressed our support for a [joint statement](#) from the IAB and content verification providers, and encouraged our members to work carefully with their CV providers to make the best use of technology.
17. This included reviewing existing exclusion lists to ensure that advertisers were not including any coronavirus-related terms, including variations on ‘covid’, but extending to concepts such as ‘furlough’, ‘social distancing’ and ‘self-isolating’. We also recommended that teams and agencies re-familiarise themselves with the capabilities of their CV tools – for instance, being able to distinguish between a coronavirus mortality news story and a ‘home-schooling during the lockdown’ feature in the same news brand. We also encouraged our members to consider setting up direct relationships with publishers to support their content during this period.
18. This has been just one of the ways in which the covid-19 pandemic has altered and brought back to prominence some of the challenges faced by advertisers. As the pandemic deepened, it was also clear that there was a need to support media businesses and for media booking flexibility, in order to avoid a vicious circle of reduced spending. ISBA liaised with broadcasters and established that they were taking a flexible approach to schedule changes and deferrals, and that there was flexibility being shown on late bookings. Our Director General, Phil Smith, wrote to broadcast company CEOs asking for a moratorium on Advance Booking Deadlines and inviting dialogue on developing a framework for mutual support during the crisis. This has led to the formation of a broadcast taskforce which is looking to ensure the advertiser voice is heard as broadcasters develop trading approaches which better reflect the situation caused by covid-19.
19. We have welcomed the constructive and collaborative way in which industry and government have worked together to address matters which have arisen during the crisis. The keyword blocking issue has also brought back to the fore the subject of the opacity of part of the digital advertising supply chain, with publishers losing revenue and often being unsure where it in the chain it has gone missing. This is an issue which we have committed to address through the taskforce which is implementing the results of our Programmatic Supply Chain Transparency Study.

### **Programmatic Supply Chain Transparency Study**

20. Over the past year, PricewaterhouseCoopers has carried out a study on behalf of ISBA and the AOP into the programmatic advertising supply chain – essentially, an end-to-end industry market audit which aimed to provide the clearest understanding yet of the actual cost of the adtech supply chain, and provide credible evidence to drive much-needed reform. The results of our study were published on 6 May and an executive summary can be accessed [here](#).
21. Building on previous studies including the WFA’s programmatic media study, ANA Programmatic Fog study and Guardian media buying experiment, the study provides all industry stakeholders, from clients to publishers, with real-world evidence to improve and optimise their supply chains and put more working media back into the hands of

advertisers and media owners. The findings will also be used by ISBA to campaign for clear industry best practice standards. As we emerge from the covid-19 pandemic, we consider the results of this study to be of critical importance. It is imperative that we take this opportunity so that the recovering industry is diverse and competitive for advertisers and publishers. The market study being undertaken by the Competition and Markets Authority is important in this regard, in terms of identifying where barriers to competition can be removed. Simultaneously, we believe that the results of our study can be of use in promoting transparency and accountability in the programmatic supply chain.

22. Our study set out to identify each element of the supply chain, understand the services delivered and the costs applied at each stage, and provide a transparent picture by mapping supply chains from start to finish, using real market data. Data was collected from 15 advertisers, eight agencies, five Demand Side Platforms (DSPs), six Supply Side Platforms (SSPs) and 12 publishers, representing approximately £0.1 billion of UK programmatic media spend.
23. The study revealed the depth of the supply chain's complexity and lack of organisation. A total of over 1,000 distinct supply chains were identified; across the 15 advertisers, the PwC team of media/programmatic experts and data scientists were able to end-to-end match 290 chains (or 31 million impressions) all the way to the 12 publishers. PwC encountered a lack of understanding and consistency among the adtech suppliers as to how they could legally share data and what permissions were needed; a lack of uniformity on data storage and formatting; and the fact that data captured by a DSP for an impression is not equally captured by SSPs, which hindered impression matching. These challenges and complexities do not serve the principal interests of advertisers or publishers.
24. The major findings of the analysis of the 'industry waterfall' – essentially, where advertisers' money goes – were that 1) publishers receive 51% of advertiser spend on average; and 2) taking other visible costs such as DSP/SSP fees and other technology costs, 15% of advertiser spend – an 'unknown delta', representing around one-third of supply chain costs – could not be attributed.
25. In response, the study made two key recommendations for advertisers, publishers, and the industry as a whole: 1) that standardisation is urgently required across a range of contractual and technology areas, to facilitate data-sharing and drive transparency; and 2) that industry collaboration is required to further investigate the 'unknown delta'.
26. In response, ISBA and the AOP have co-convened a cross-industry taskforce to begin work on studying the causes of the delta and, separately, to shape an independently-led effort to work on standardisation and data-sharing, to facilitate robust supply chain verification.
27. We consider that there is an enormous opportunity here to reform the programmatic supply chain so that it is transparent, open, and accountable – and therefore auditable – so that all participants can have confidence to invest for greater innovation and growth. The study has shown that the current system does not currently allow a complete end-to-end view; it is our hope that it can act as a catalyst for positive change and for that it will contribute towards a competitive and dynamic environment for all industry participants.
28. The promise of programmatic advertising is the ability to target the right audiences, in the right context, at the right time. With industry rebuilding post-pandemic, this is the right moment to take a chance for reform. If we succeed, then all participants will be able to have confidence that the supply chain is acting to fulfil that promise of programmatic. With industry-wide collaboration, we can make the future of programmatic advertising

sustain-able and innovative, and ensure that our industry continues to materially contribute to the health of the wider economy.

29. ISBA has committed to keep the Department updating with the progress of the taskforce as government and regulators continue with their various reviews of aspects of digital advertising and its impact on all stakeholders, including audiences. We continue to urge government to ensure that a holistic view is taken of the many reviews which are ongoing or have recently completed, so as to promote confidence and stability as our industry returns to health.