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The future of online advertising

A study by Duncan McCann, Will Stronge, Phil Jones

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INTRODUCTION

Our digital world today is recording and tracking user's every move, creating detailed profiles of users to show them relevant adverts targeted at their interests. The hunger for data has created a massive incentive for all digital companies, large and small, to collect as much information about individuals as possible – and create platforms that maximise time spent online, even when this might be harmful – all in order to show us as many adverts as possible. Unless we take active measures to limit the companies that engage in this surveillance, these invasive processes will only become more pervasive.

It has not always been this way in the online world. In fact, it's only in the last 25 years that online advertising has emerged from nothing into the pre-eminent business model of the digital economy. When online advertising first emerged in 1994, it followed many of the same rules and principles that offline advertising had. Advertisers had to locate the precise online spaces where an audience existed who would want to buy their products and services. Today, online advertising works in a radically different way, with advertisers able to track individuals as they move around the digital economy to target them wherever they are.What is also remarkable is that just two companies, Google and Facebook, have managed to capture the majority of this new market.

Alphabet, the parent company of Google and YouTube, generated $135bn, representing almost 84% of its revenue from online adverts. In the same period Facebook generated almost $70bn, representing over 98.5% of its revenue, in the same way, bringing in almost $70bn in 2020. Figure 1 shows that revenue for all forms of traditional advertising such as television or newspapers have been in decline since at least 2013, with some starting a downward trend as early as 2007. On the other hand, Figure 1 demonstrates the rapid growth of all forms of online advertising from 2001 onwards, with social media and search advertising alone generating almost $225bn of revenue in 2020.

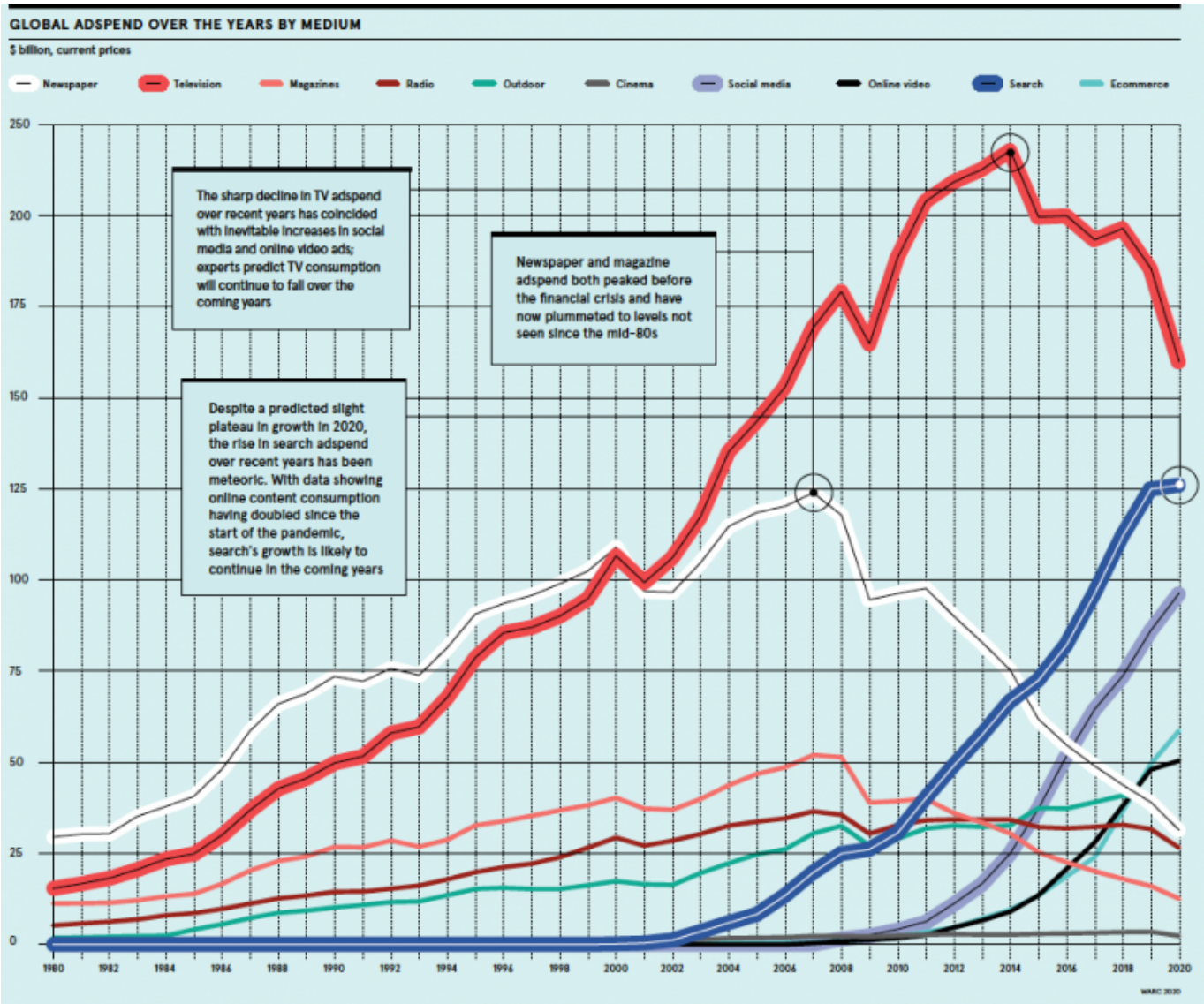

Fig 1 - Introduction The future of online advertising

Source: https://www.raconteur.net/infographics/ad-evolution/

The model of online advertising that dominates the market today is tracking-based advertising, where adverts are placed in front of individuals based on personal data provided by the website and any adtech partners with whom they are working. This can be seen as troubling: from the way it invades personal privacy, to the way it might feed disinformation or damage national security.

This report explores concerns surrounding the practice of tracking-based advertising today and examines in detail the most significant trends in the adtech market: from the rebirth of contextual advertising to new proposals by Google, Microsoft and others. The report concludes by looking into the potential impact of a ban on the use of personal data in online advertising, both on the issues that we raise in Section 3 as well as on some of the key entities that currently rely on the practice for the operations.

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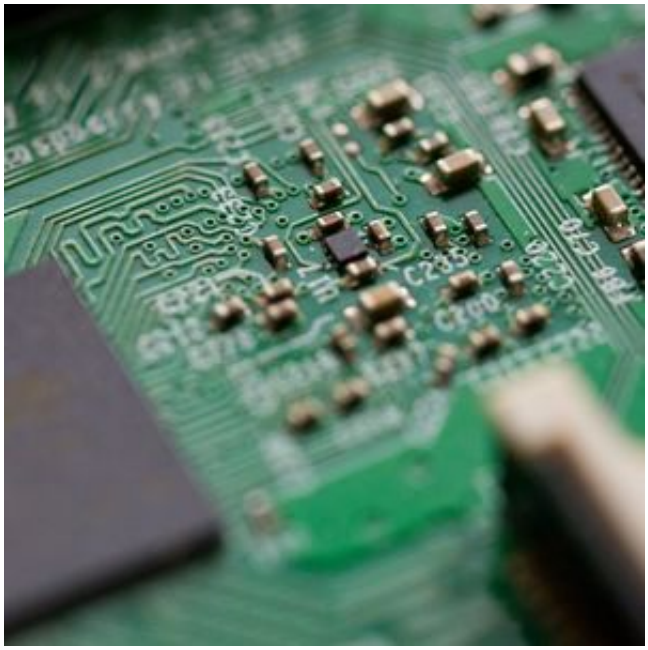

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