

WOULD A BAN ON TRACKING ADS REALLY DAMAGE SMALL BUSINESSES IN EUROPE?

Small and medium-sized businesses need online advertising - but they don't need tracking ads

There are over [21 million micro, small, and medium-sized enterprises in the EU](#). They are the backbone of the economy, generating wealth and employment.

In 2020 41% of medium-sized SMEs and 30% of small SMEs [reported](#) making online sales. Many of these SMEs need advertising to grow their brands and reach new customers.

Many SMEs use Google and Facebook tracking ad services, which dominate the market. But that does not mean they are as attached to these products as Big Tech claims.

Facebook and Google have [repeatedly published stories](#) featuring SMEs who say they love tracking ads. But we've heard from successful SMEs across the EU who tell us they need advertising, but they don't love tracking. They would be very relaxed if the DSA included a ban on tracking.

The benefits of tracking-based ad services are overstated compared to other forms of advertising

Despite [claims](#) from the Internet Advertising Bureau Europe that a move to ban tracking-based advertising would penalise SMEs and small publishers, it is far from certain that tracking ads are more efficient or effective than ads targeted in other ways.

An independent academic study, published in 2019, found just [a 4% uplift](#) in the value to publishers of tracking ads, or an average increase of just \$0.00008 per advertisement, against other comparable forms of advertising.

There are already good alternatives to the dominant tracking ad services of Google and Facebook. Some [quality publishers](#) have moved away from tracking ads seen their ad revenue rise. Some alternative, EU-based advertising services offer SMEs other, more effective, ways of targeting their adverts to reach potential customers.

In a [study](#) designed with World Federations of Advertisers in Norway, the contextual advertising firm Kobler reported that ads placed contextually are up to 7.5 times more effective than tracking-based adverts due to the impact of seeing an ad beside relevant content.

A ban on tracking adverts could break the stranglehold of Google and Facebook and unleash greater competition and innovation in AdTech. SMEs would benefit from greater choice, from a wider range of effective and efficient advertising services.

The real beneficiaries of tracking ads: Facebook, Google, AdTech intermediaries, and fraudsters

In the current dysfunctional ad market, a huge cut of SMEs' ad spend ends up in the hands of intermediaries. SMEs using tracking ads face hidden costs. Independent [estimates](#) for the proportion of ad spend taken by AdTech intermediaries range from 35%-70%.

A further proportion of SMEs' ad spend is lost to advertising fraud, such as paying for inauthentic views by fake accounts and bots. [Research by PwC](#) found that 15% of advertiser spend is simply lost and unaccounted for. Further independent [estimates](#) for the cost of tracking-based ad fraud last year range from €30bn - €59bn.

Banning tracking would enable a shift towards a healthier ad ecosystem, where real businesses would pay real publishers, targeting their adverts to reach real potential customers - and where fees charged by intermediaries would be transparent and competitive.

A tracking ban might be disruptive for Facebook and Google, but it would be business-as-usual for most SMEs

After a ban on tracking ads, SMEs would carry on advertising to build their brands and attract customers. They'd just adapt how they targeted their adverts, with the flexibility and ingenuity that is typical of small business. Any changes would be minor and easy to adjust to - and present new opportunities for innovation.

The businesses which would face disruption would be the Facebook-Google AdTech duopoly, and the intermediaries that feed off the current dysfunctional market.

Successful SMEs know their customers - and they know their customers don't like tracking ads

SMEs have told us that they would prefer more alternatives to tracking ads, because they know that many of their customers dislike being tracked and targeted on the basis of behavioural data.

Other SMEs tell us they currently don't use as much online advertising as they otherwise would - potentially missing out on opportunities to grow their business - because of the reputational risks they associate with tracking ads.

These SME concerns are borne out by research. A recent [YouGov poll](#) of social media users in France and Germany found that only 11% were happy for their personal data to be used to target them with advertising, while more than half reported not wanting personalised ads at all.

In contrast, polling has shown that contextual advertising – where the advert is shown next to relevant content – improves the experience for the user. In a poll for the contextual advertising firm Kobler, [YouGov](#) found that 68% of the respondents liked the ad when it matched the displayed content, as opposed to only 47% when it did not.

“AdSomeNoise was founded in 2012. Since then we've grown into a digital campaign agency which employs over 20 people. As a Belgian agency working for clients all over Europe, and with a specialisation in data-driven advertising, the evolution on the use of personalised data is one we watch with interest. We all feel that the current situation is not sane. There is abuse at scale of surfer data and the data of advertisers.



But apart from observing, we already tested out on several occasions the difference between contextual advertising and advertising based on personalised data, in order to prepare ourselves for the future. We have seen that the use of adding personalised data is overrated. By combining context and neutral data (the weather, time of day, period,...) we can have comparable results in the short term and better in the long run.

As an agency this confirms us that we can build our business without using personalised data of surfers and without leaking data of our advertisers into the ecosystems of big tech”

Pieter Jadoul - Media Director, Adsomeoise - Belgium

“I run a small software house in Poznań. For two years my business has been helping small and medium-sized enterprises to exist online. We create a learning environment for beginner developers and testers under the tutelage of a mentor.



We have never used behavioural advertising. Any attempts to promote my business on Facebook have been ineffective. We gain new customers by organising webinars and workshops for our local IT community members.”

Kuba Orlik, Owner, Sealcode - Poland

“We’ve attracted investment and grown quickly because European businesses want ways to reach potential customers which don’t rely on tracking and personal data - and because once they work with us, they find that our alternative approach delivers good results.

Our weapon is a contextual advertising platform, transparent and completely without the use of personal data. We’re proving that advertising doesn’t need to rely on tracking to outperform heavyweights Google and Facebook.”



Erik Bugge, CEO, Kobler - Norway

“My local business successfully reaches new customers without the use of online advertising. I personally find surveillance-based ads irritating and do not want people to associate my business with creepy tracking. If contextual advertising was more available on different platforms, I would consider using it.”

Dominik Kubik, Owner, Kręci się (bike repair shop) - Poland

“Users are more aware than ever of their online privacy. This has implications for the industry as the number of users opting out, or are not willing to give consent, is growing every month.

Therefore publishers, agencies and advertisers are looking for alternatives to still reach the complete audience. In our business we see that the use of cookies and tracking are not necessary for an effective campaign. Also without using personal identifiers for targeting purposes campaigns still show great results and the publisher’s revenue stays intact.”



Linda Worp, Business Development Manager, Opt Out Advertising - Netherlands
