

Virtue of compromise in the EU's digital policy-making: the case of targeted ads

By EPPP - European Public Policy Partnership

The ban on targeted ads, idea floated during the negotiations on the Digital Services Act and Digital Markets Act, is an exemplary case study how legislative proposals evolve during the negotiations just to reach a workable compromise in the end – hopefully.

Digital Services Act (DSA) and Digital Markets Act (DMA) are some of the key legislative files that will define how the digital market in the EU should look like in the decades to come. However, they could also be an example in the university textbooks on EU studies, showcasing the complexities and nuances of policy-making processes in Brussels. This can be best demonstrated on the issue of ban on targeted ads, which could pose serious problems for businesses, citizens and civil society alike, unless the virtue of compromise in the EU's digital policy-making is respected.

With DSA and DMA proposals, European Commission intended to create fair and clear rules for the digital market players – be it large online platforms or businesses and individuals using services of these platforms. Among other measures, Commission wanted to boost transparency of online advertising by obliging online platforms to inform the recipients of the service that a piece of information is an advertisement, what natural or legal person published the ad and what were the main parameters used to determine that the ad should be displayed to the respective recipient of the service ([Art. 24, Digital Services Act](#)). Thus, the Commission intended to achieve an outcome where internet users would be better informed about online ads and their targeting. However, soon after the proposal hit the table of the Members of European Parliament, calls for an immediate outright ban on targeted ads started to grow louder and louder, for instance through the so-called "[Tracking-Free Ads Coalition](#)" uniting several MEPs. After dozens of discussions, hearings and social media campaign, the lead internal market committee (IMCO) finally [agreed](#) on a compromise text of the Digital Services Act on 14 December 2021.

IMCO's resolution clearly demonstrates the virtue of compromise in EU's policy-making leading to rational results. It maintains DSA's horizontal nature as well as the essential intermediary liability principle, one of the tenets of EU's digital regulations. On the issue of targeted advertising, more balanced approach was found in banning targeting only for minors. Yet, ahead of the vote of the European Parliament's plenary on the DSA at the end of January, there are still some MEPs and advocates [attempting](#) to shatter this compromise.

Targeted ads are essential part of online advertising enabling their creators to reach the intended audience more efficiently with lower costs. Ratio of users clicking on an ad and users who visit the webpage where ad is displayed (click-through rate) is 5.3 times higher in case of personalized advertising. It is estimated that EU businesses' spend on targeted online ads reached €16 billion in 2020. From the academic literature follows that the ban would decrease the effectiveness of online ads by 50-70%, meaning that advertisers would have to spend 2-3.3 times more money on non-personalized ads to achieve the same results as with personalized ads ([Center for Data Innovation](#)). Other studies indicate that limiting personalised advertising could reduce EU's GDP by €76-106 billion per year, amounting to €171-237 per EU citizen annually ([Copenhagen Economics](#)).

But it is not just about business. Targeted ads have proved to be very effective to raise awareness about social issues and gain funds for civil society. Research shows that personalised charity communication can increase the willingness of 44% of donors and interested individuals to donate up to 10% more and in case of the millennials

even 62% more money. There are several successful examples of NGOs such as Swedish Red Cross or German Save the Children that noticed significant increase in donations and awareness with their personalized campaigns ([ThinkYoung Research](#)). It is therefore no surprise that numerous political bigwigs including Competition Commissioner Margrethe Vestager or French digital minister Cédric O, whose country currently holds the rotating EU Presidency, are opposed to outright ban on targeted ads ([POLITICO](#)).

Hastily introduced DSA amendments could run counter to the personal data protection framework established around GDPR that already provides robust safeguards against misuse. Moreover, the entire sector of targeted advertising is under transformation through development of privacy preserving technologies. Halting this evolution towards privacy-safe online advertising by a ban could harm the interests of businesses, consumers, publishers and also third sector actors working on important social issues. Let us therefore stick to the “virtue of compromise” instead of radical solutions that could harm the economic recovery and benefit no one. Let the rationality win in the EU’s digital policy-making.

EPPP – European Public Policy Partnership

In EPPP we create, develop and execute innovative solutions in Education, Research & Development, Entrepreneurship and Social Sciences. We are helping to create and spread the latest knowledge and best practice by establishing a platform for dialogue and discussions among experts, academics, lawmakers, entrepreneurs and professionals. EPPP is based on the values of democracy, free market economy, economic progress and is committed to promoting these values at home and abroad by contributing to flexible modern regulations that fuel prosperity in the societies.