

Levelling the playing field - Targeted Ads

Dear Member of the European Parliament,

We encourage you to ensure the Digital Services Act becomes more proportionate and balanced so that SMEs & startups can scale-up their innovations to businesses and consumers across the EU. The EU has put SMEs and startups at the forefront to tackle some of its biggest challenges from growth and jobs to climate change, health and digitalization. The Commission proposal on the Digital Services Act demonstrates the willingness to fulfill the EU's ambition of creating a transparent and well-functioning digital internal market.

While we fully support the ambition to create a safer, responsible, and more transparent digital ecosystem, we are alarmed by considerations in the **European Parliament to propose restrictions on targeted advertising, either in the form of bans or opt-ins**. Such restrictions would severely harm SMEs, startups & entrepreneurs by reducing the effectiveness of advertising to a degree where it can become next to impossible to reach customers in a profitable manner.

Targeted ads are a fundamental part of SMEs' and startups' business models. By their very nature these companies do not have the marketing budgets necessary to reach their customers through mass-media marketing or non-targeted advertising, nor do they have the brand recognition necessary for customers to come on their own. On the contrary, start-ups and SMEs rely on their ability to use targeted digital advertising to purchase customers at a lower price than the profit resulting from any sale. Such is the key element for example of any growth strategy for start-ups. **Using a "one-size-fits-all" approach regarding targeted advertising will only create huge barriers to creating and growing business** thereby creating unpredictability, discouraging innovative power and impeding a positive investment climate.

Targeted advertising essential for Europe's digital economy

European Parliament amendments on targeted ads will, if adopted, strip SMEs & startups of critical revenue and vastly increase marketing costs. Higher acquisition costs would make it harder for companies to reach global target groups. Personalised advertising is the most efficient way for businesses to find new customers and grow their business — which is particularly important for innovative markets and has been well evidenced¹². SMEs & Startups cannot afford large marketing budgets. They have a fraction of the budget and run smaller campaigns that are tailored to reach critical mass in their niche markets. For those budgets to yield value, the business must advertise to people who are likely to be interested in its products. **Eliminating or vastly restricting targeted ads will only benefit businesses that already have brand**

¹ D. Knapp, The Wider Socio-Economic and Cultural Value of Targeted Advertising in Europe, September 2020: <https://iabeurope.eu/wp-content/uploads/2021/09/The-Wider-Socio-Econmic-and-Cultural-Value-of-Targeted-Advertising-in-Europe-Sept-2021.pdf>.

²https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/2/572/1624957370/copenhagen-economics.-dsa-personalised-ads-rules-impacts-on-eu-economy_june2021.pdf

recognition and can afford to spend large sums on mass media advertising. Removing startups' & SME's ability to target their products/services will also impede scaling up in new markets and stands in contrast to the EUs ambitions. Considerations on an opt-in solution as a sole legal basis available for the purpose of targeted advertising circumvents GDPR that stipulates that all six legal grounds are equal, and no single legal ground enjoys an elevated status. A company's choice of the most appropriate legal basis for processing of personal data must not be ruled out a priori, and in particular, a lack of flexibility would leave SMEs and startups at a disadvantage.

As a European Parliament's study itself has found "*Advertising has been a key driver for the digital economy.*"³ Advertising is essential, natural and a legitimate business tool for business in reaching target customers and is beneficial for consumers as well. Destroying this, through a ban on targeted digital advertising or an opt-in, will severely damage the ecosystem on which the European Union's digital ambitions rely. Furthermore, a vast majority of European citizens value that targeted advertising supports the current commercial model of the internet as it offers relevant products and services to them.

The proposals for any restrictions or ban on targeted ads will strangle a key aspect of the digital ecosystem which allows millions of small businesses to reach and connect with customers across Europe. But targeted digital advertising is not only used by small businesses searching for new customers, NGOs also rely on it in their outreach for support, as do public agencies such as health authorities that seek effective means to educate citizens about COVID-19. ***Some of the EU's greatest challenges rely on organisations, authorities, and businesses to be able to reach their audience through targeted digital advertising.*** Therefore, a new green startup would have a harder time in reaching potential customers who could be interested in a sustainable solution and thereby slow the green transition. If we did not have advertising targeted to relevant and potential customers, the uptake of innovation and products would be slower and be a general set back to digitalization and a detriment to the European economy. We urge you to keep that in mind in negotiations on the final DSA text and we call on you to recognise the value of the EU's existing legal framework for privacy and data protection and to avoid the inclusion of provisions that would undermine it and we urge the European Parliament to have SME's & startups' interests at heart and recognize the importance of targeted advertising.

Sincerely,

Peter Kofler, Chairman, Danish Entrepreneurs
Benedikt Blomeyer, Director EU Policy, Allied for Startups
Karina Stan, Director EU Policy, Developers Alliance
Greg Mroczkowski, Director Public Policy, IAB Europe
Christian Borggreen, Vice President, Computer and Communications Industry Association
Lasse Hamilton Heidemann, Head of EU Affairs, Danish Chamber of Commerce
Holger Wilcks, CEO, Danish Advertisers and Marketers
Bobbie Dennis, Public Affairs & Policy Executive, Advertising Information Group
Lucien Burm, President Dutch Startup Association
Michal Kardos, SAPIE, Slovak Alliance for Innovation Economy
Veronique Willems, Secretary General, SMEunited
Jeppe Rosenmejer, Head of Legal, SMV Danmark
Kenneth Kamp Butzbach, General Secretary, ISOBRO

³ [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662913/IPOL_STU\(2021\)662913_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662913/IPOL_STU(2021)662913_EN.pdf)

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