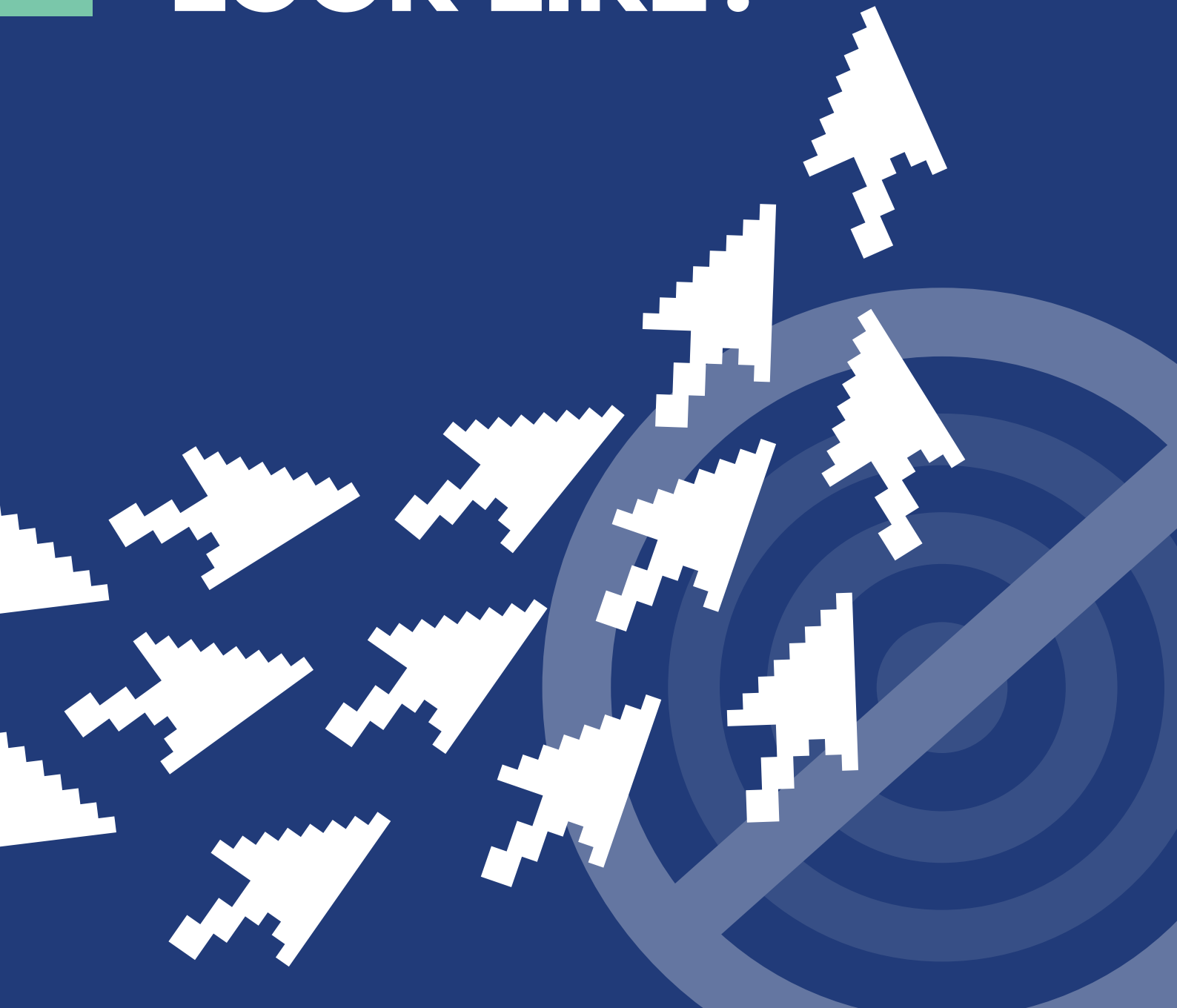


**WHAT WOULD  
AN INTERNET  
WITHOUT  
TARGETED ADS  
LOOK LIKE?**



# What would an internet without targeted ads look like?

## *The implications of removing targeted digital advertising from the internet's commercial model*

The discussion that takes place at the intersection of EU digital policy and digital advertising isn't just a debate about data and privacy. It's also a critical conversation about the commercial model for the internet and whether users prefer content and services to be funded by advertising or would prefer to pay with money for what they consume online, and who dictates the choices they have.

### **PAID VERSUS AD-SUPPORTED, TARGETED ADS VERSUS NON-TARGETED ONES**

Proposals to prohibit targeted advertising, currently the most efficient and valuable form of digital advertising, would in effect eliminate advertising all-up as an available revenue stream for a wide range of websites. An example would be small, generalist news media that don't have the resources to invest in "lifestyle" or other content that lends itself well to the use of contextual advertising, and cannot compete with large first parties for advertiser spend. Eliminating advertising as an available revenue stream for these digital properties would leave them no alternative but to charge their users for the content they consume. Such an approach assumes that for enough online content and services, enough people are going to be willing to pay to keep the content and services sustainable and accessible. As EU policymakers continue their deliberations, it's important that this assumption be put to the test.

IAB Europe has done so by commissioning a survey of internet users across six European countries: France, Germany, Poland, Spain, Sweden and the UK. We asked these users about how they value the different internet services that they currently use without paying a subscription, how many of these services they would be prepared to pay for if they had to, and how their use of the internet would change if free access were no longer an option. The results are a snapshot of user sentiment in key markets at a critical moment in EU policy debates.

### **KEY FINDINGS**

- In the absence of advertiser funding, a majority of Europeans surveyed would expect to pay less than €4 per month for most of the web services they currently use.
- Fewer than half of Europeans (49%) are willing to pay for more than three such subscriptions in total, leaving web services competing for a limited pot.
- Music streaming and email are the only currently ad-funded sites and services that more than 50% of Europeans would be willing to pay for.
- Other sites would face serious financial challenges if forced to depend on subscriptions, with fewer than a third of Europeans willing to pay for weather updates (32%), finance content (31%), news (28%) or sports (26%).
- Those willing to pay for a site or service anticipate being asked to pay more for it than those who refuse to pay. Those willing to pay for sports content, for example, expect a monthly charge of €11.06 on average, whereas those unwilling to pay expect to be asked to pay only €5.42. This interesting inverse correlation shows that sites and apps won't be able to expand their reach by charging less for services and making them more accessible. Their business models are best served by focusing on fewer, high-paying subscribers. In this way, a subscription-based model would lead to a multi-tiered internet, with access defined by income level.
- A subscription-based model of the internet would significantly reduce internet activity overall. Almost half of Europeans (48%) say they would reduce their internet use a great deal if forced to pay for content and services, and 78% say they will reduce their use of the internet to at least some degree.
- By a huge majority (75%), Europeans prefer the current commercial model for the internet, which is funded largely by targeted advertising, over a scenario where a majority of sites and apps fund themselves through subscriptions.

## Executive summary

This report presents the key findings of the research we commissioned to better understand the user sentiment towards the ad-supported internet amidst critical EU policy discussion about the future of Europe's digital economy. In particular, investigating the types of content and services that Europeans would be willing to pay for, and those that would be left struggling to find a sustainable commercial model. It demonstrates that users value being able to access online content and services for free alongside the ones they are willing to pay for, and they want to be able to decide for themselves how they allocate their budgets. It shows how the experience of the internet in Europe would change dramatically if advertiser funding were no longer sustainable. In this scenario, a large proportion of current web content and services would be in danger of disappearing because they would be uneconomical to deliver, or would be forced into a commercial model where they were only available to a minority of users for a price that others find unacceptable or unaffordable. News content sites, in particular, would see their reach and influence significantly reduced. Citizens would be unable to access high-quality online content without paying a subscription, and this would result in unequal access to information and increased polarisation between income groups. The inability to leverage a viable advertising-funded model raises particular challenges for start-up news and content services, which have not yet had the chance to establish their value to users and convince them to pay a subscription fee. Scaling up new services is difficult or impossible without advertising revenue. For the vast majority of European citizens, the trade-offs that create this fragmented, partial experience of the internet would be unjustified. They value the targeted advertising that supports the current commercial model of the internet – and they value being able to choose between the experiences they would like to pay for and those that they can experience for free as a result of advertising.

## Different types of content come with different cost expectations

The average monthly amount that people would expect to pay varies by category. Content is expected to carry a higher price tag than web-based services, with music and video content expected to be the most expensive.

### Average (mean) subscription amount that Europeans expect to pay for content and services per month, if they were no longer available for free:

Content providers	Amount
A music streaming site like Spotify, Deezer and YouTube Music	€8.21
A video content site like YouTube, Vimeo and DailyMotion	€7.59
A social network like Instagram, Facebook, Snapchat, TikTok	€7.04
A sports update services like ESPN, BBC Sport, L'Équipe	€7.01
A news / current affairs site like The Guardian, Le Monde or Bild	€6.88
An online game or app like Candy Crush or Clash of Clans	€6.27
An app with recipes and restaurant reviews	€6.02

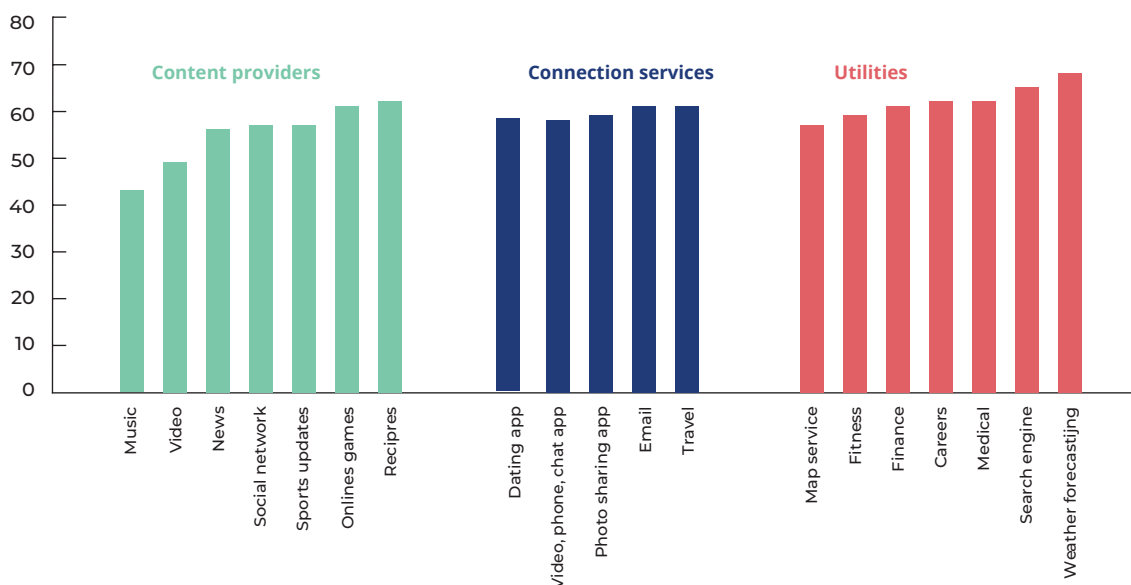
  

Connection / sharing services	Amount
A dating app	€6.69
A video, phone or chat app	€6.43
A photo sharing app	€6.26
An email account like Gmail, Yahoo! and Microsoft	€6.22
A travel app	€6.05

Utilities	Amount
A map or directions service like Google Maps or Apple Maps	€6.65
A fitness app	€6.36
A site with stocks, shares and personal finance information	€6.23
A careers site	€6.22
A site or app with health information or advice	€5.91
A search engine	€5.84
A weather forecasting site or app	€5.15

The average (mean) amount that Europeans expect to pay slightly obscures the fact that a majority would expect to pay far less. Most internet users would expect to pay under €4 per month for any category of subscription.

### Percentage of Europeans expecting to pay under €4 per month for content and services



## Most Europeans are only willing to subscribe to a maximum of three sites or apps

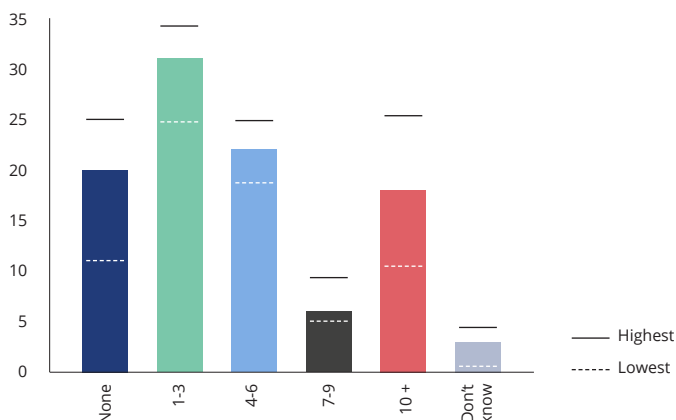
In a commercial model built on subscriptions rather than the free and open web supported by predominantly targeted advertising, these various sites and apps would be competing for a limited pot of available funds. This is because the majority of European citizens say they would only pay for a maximum of three subscriptions for web services.

There is, however, a significant minority of future super-users who anticipate subscribing to ten or more content sites and services. These users would be a vital target audience for sites and apps seeking sustainable commercial models in the absence of targeted advertising. Their experience of the internet would diverge hugely from that of the vast majority of their fellow citizens, who only access a very limited range of services. This would result in a multi-tiered internet, with access defined by income level.

The UK is an outlier in its reluctance to pay for too many subscriptions, while Poland is the most open to doing so. In Poland, over a quarter of citizens say they would pay 10 subscriptions or more.

## The number of subscriptions for web content and services that European citizens would be prepared to pay for:

	Total
<b>None</b>	<b>20%</b>
<b>1-3</b>	<b>31%</b>
<b>4-6</b>	<b>22%</b>
<b>7-9</b>	<b>6%</b>
<b>10 and above</b>	<b>18%</b>
<b>Don't know</b>	<b>3%</b>
<b>Average (mean)</b>	<b>4.95</b>



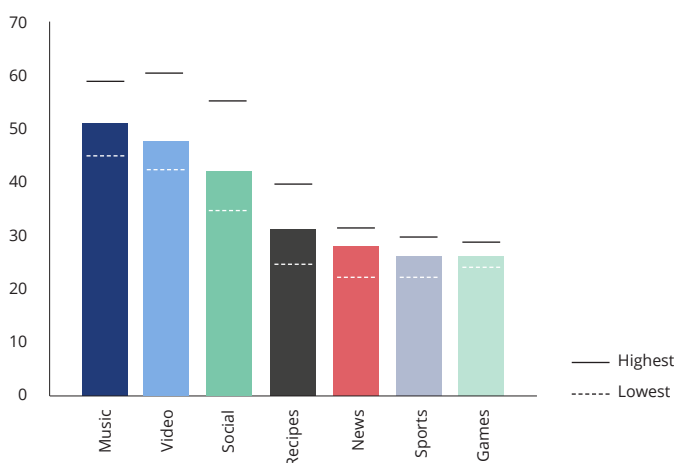
## Music and email are the only sites and services a majority would pay for

Amid the competition for a limited number of subscriptions, music streaming sites and email services are the only currently ad-funded sites that a majority of Europeans would be willing to pay for.

This leaves the vast majority of content and service categories with an uphill battle to secure a sustainable subscriber base. It also suggests that, under a subscription model, the currently unified experience of the internet in Europe would quickly fragment. Citizens would experience the digital world very differently depending on the handful of services that they choose to pay for.

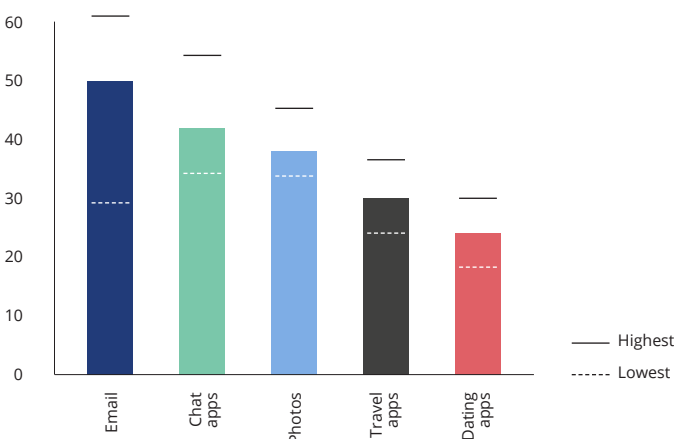
### Content

	Total
<b>Music streaming</b>	<b>51%</b>
<b>Video</b>	<b>49%</b>
<b>Social networks</b>	<b>42%</b>
<b>Recipes</b>	<b>31%</b>
<b>News</b>	<b>28%</b>
<b>Sports</b>	<b>26%</b>
<b>Games</b>	<b>26%</b>



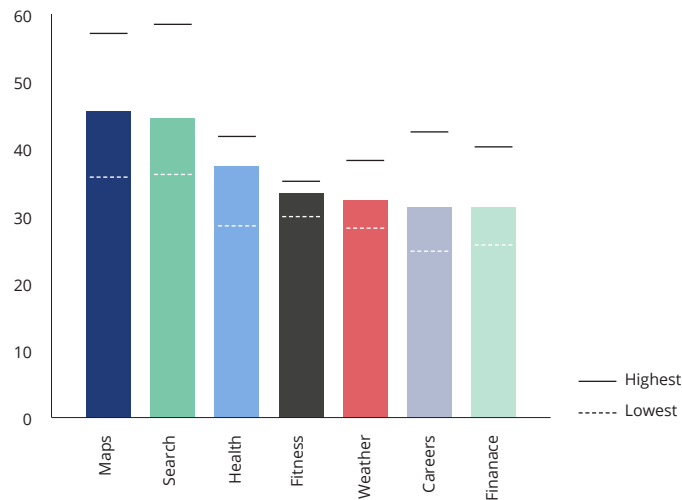
### Connection

	Total
<b>Email</b>	<b>50%</b>
<b>Chat apps</b>	<b>42%</b>
<b>Photo sharing</b>	<b>38%</b>
<b>Travel apps</b>	<b>30%</b>
<b>Dating apps</b>	<b>24%</b>



## Utilities

	Total
Maps / Directions	45%
Search engines	44%
Health app	37%
Fitness app	33%
Weather apps	32%
Careers site	31%
Shares / Finance	31%



## The importance of news isn't reflected in willingness to pay

The importance that people attach to content does not always correlate with their willingness to pay for it. Despite Europeans describing news as by far the most important form of content they access online, fewer are willing to subscribe to a news site than are prepared to pay for almost any other web service. In contrast, citizens are far more likely to pay for digitally native services such as email and search engines.

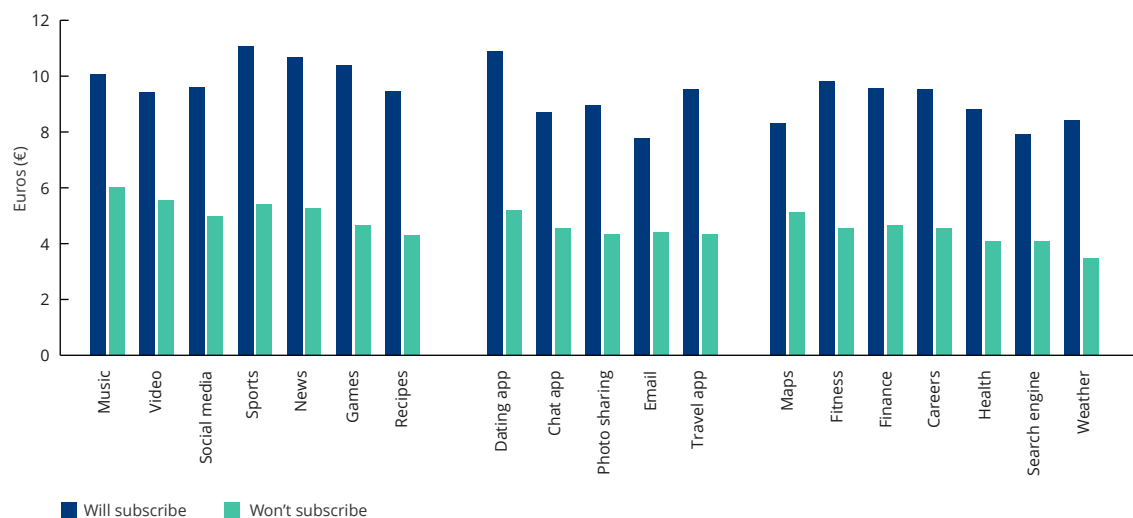
This leaves news commercially vulnerable in a subscription-led model for the internet. Other information services facing an uncertain transition include apps and sites providing finance, sports and weather updates.

Service type	Very important	Somewhat important	Willing to pay
Email	60%	31%	50%
Search engines	50%	37%	44%
News	45%	40%	28%
Maps	29%	43%	45%
Chat apps	28%	37%	42%
Social media	27%	36%	42%
Finance	26%	39%	31%
Weather	24%	44%	32%
Health / Fitness	22%	33%	37%
Sports	21%	26%	26%
Food / Recipes	19%	35%	31%
Careers	18%	30%	31%
Dating apps	8%	14%	24%

## There is an inverse correlation between cost expectations and willingness to pay

Europeans' willingness to pay for content and services is inversely correlated with the price they expect to pay for them. Those willing to pay for content and services, value those content and services more highly – and therefore anticipate paying significantly more.

**The average (mean) amount people expect to pay, depending on whether they are willing to subscribe or not:**

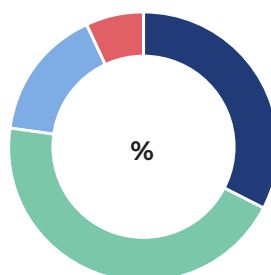


This has two important implications for commercial models based on subscriptions. Sites and apps are not likely to be able to expand their reach simply by charging less for their services. Those who are prepared to consider paying already expect to pay more. Content and service providers will be better served commercially by raising prices for the smaller proportion of Europeans who are willing to subscribe, and so increasing revenue overall. This is likely to reduce the financial accessibility of internet content and services over time.

## The availability of free content and services has a big influence on the mobile market

The availability of unpaid mobile apps has a huge influence on the appeal of mobile handsets. By a large margin, Europeans would choose a mobile experience funded by advertising over one involving paid-for apps. As a result, demand for smartphones could be vulnerable to change if free apps are no longer available.

**If comparing two similar mobile phone handsets, how likely would you be to choose the one with more ad-funded apps available, compared to exclusively paid-for apps?**

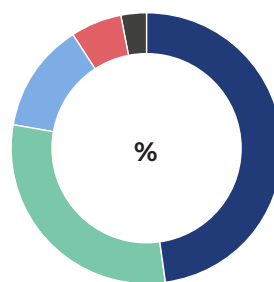


A lot more likely: **33%**  
 Somewhat more likely: **45%**  
 Somewhat less likely: **15%**  
 A lot less likely: **7%**

# Almost half of Europeans say they would reduce their internet use a great deal if forced to pay for content and services

A subscription-based model of the internet would result in a significant reduction in internet activity. Over three-quarters say they would use the internet less than in a commercial model funded by advertising. Almost half of Europeans say they would choose to avoid paying subscriptions by reducing their online and mobile activity a great deal. This suggests a future for the internet in which information and opportunity flows less freely, and news, information and services are far less accessible than before. As a result, it suggests a future for society in which citizens are less connected and informed.

**How would your behaviour change if you had to pay a significant amount of the online content, services and mobile apps you currently use free of charge?**



- Reduce activity a great deal and not pay: **48%**
- Reduce activity somewhat and pay less: **30%**
- Pay subscriptions and keep the same activity level: **13%**
- Pay subscriptions and increase activity somewhat: **6%**
- Pay subscriptions and increase activity a great deal: **3%**

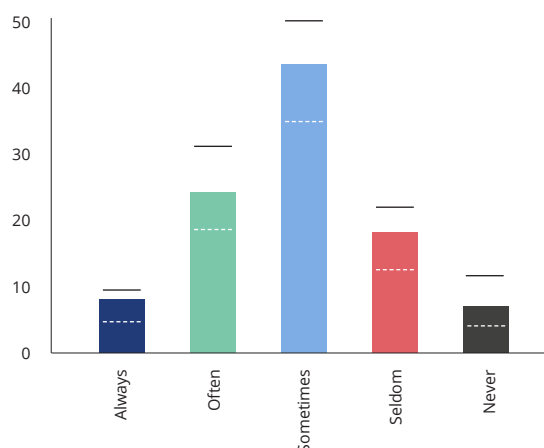
# More Europeans find advertising useful than resent it

A subscription-based model of the internet is the likely result of restrictions on targeted advertising and the use of data that would reduce the profitability of advertiser-funded models. So, would the disappearance of these targeted ads justify sweeping changes to the internet experience?

Not in the view of most European citizens. Roughly a third describe advertising as useful in helping to find, research and buy new products either 'Always' or 'Often', significantly more than describe it as 'Seldom' or 'Never' useful.

**How often do you find advertising useful in finding new products, researching a purchase or assisting with the shopping process?**

	Total
<b>Always</b>	<b>8%</b>
<b>Often</b>	<b>24%</b>
<b>Sometimes</b>	<b>43%</b>
<b>Seldom</b>	<b>18%</b>
<b>Never</b>	<b>7%</b>

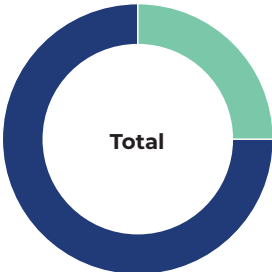




# By a huge majority, Europeans prefer today's internet, supported by targeted advertising

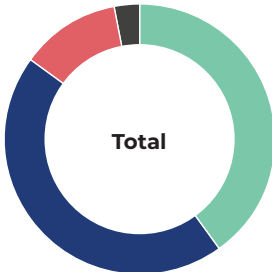
Given the choice, an overwhelming majority of Europeans prefer the current commercial model for the internet, which is funded largely by targeted advertising, over a scenario where sites and apps fund themselves through subscriptions. The ability to choose which sites they pay for, and which are funded through advertising, is seen as very important.

## Which version of the internet would you prefer?



No targeted ads with most content paid for: **25%**  
Today's internet with mostly free content and targeted ads: **75%**

## How important is it for you to be able to decide which online services you pay for with money, and which you don't have to pay for because they are funded by advertising?



Very important: **40%**  
Not very important: **12%**  
Somewhat important: **45%**  
Not at all important: **3%**

## Conclusion

### ***A subscription-driven model of the internet is not one that Europeans recognise or want***

Our research shows that strict limitations on targeted advertising will have an unavoidable impact on the way that Europeans use the internet, and the nature of the internet itself. Under a commercial model dependent on subscriptions, far fewer Europeans would choose to use the range of internet services that they do today. This blocks off one of the major sources of growth and innovation within Europe's economies.

The reluctance to pay for more than a handful of sites and apps has implications for society as well. It will reduce the accessibility of much content, since subscription models will need to focus on maximising the revenues available by raising prices. This is likely to result in a fragmented experience of the internet, with premium services and full internet experience accessible to a small minority who are willing and able to pay for them. For most Europeans, the ready access to information, connection and valuable services that they have long associated with the internet will cease.

This scenario is far from inevitable. The vast majority of those in our survey do not accept the logic of a trade-off in which advertising is constrained in order for people to pay for the services they want. They are far more likely to value targeted advertising than to resent it. And they value the freedom of being able to choose the internet experience that they want rather than having this choice taken away.

## Methodology

The study was commissioned by IAB Europe and conducted by an independent, third-party research agency, Savanta, in December 2020. The study used a 10-minute online survey of internet users over the age of 18, with the distribution of gender, age, region and socio-economic group weighted to the population of each country.

We surveyed over 400 adult internet users in each of six European countries, with a total sample size of 2,439. The breakdown of the sample by country was as follows:

Country	Total	Male	Female
<b>UK</b>	402	48%	52%
<b>DE</b>	407	49%	51%
<b>FR</b>	410	46%	54%
<b>ES</b>	403	46%	54%
<b>SE</b>	410	49%	51%
<b>PL</b>	407	49%	51%