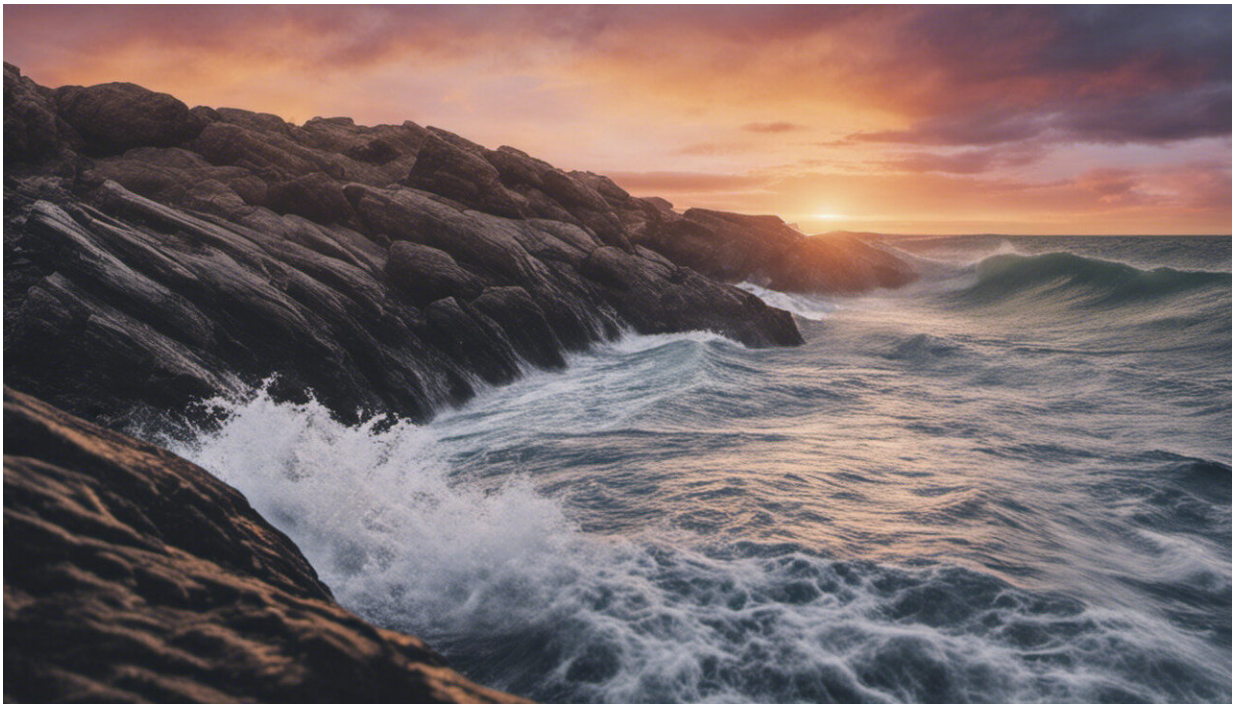


# Is it time to regulate targeted ads and the web giants that profit from them?

April 23 2018, by David Glance

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Credit: AI-generated image ([disclaimer](#))

In the wake of Facebook's massive breach of personal data of [87 million users](#), CEO Mark Zuckerberg answered questions from US politicians over two days of [congressional hearings](#). These questions mostly focussed on the tight link between Facebook's business model of selling targeted personalised advertising and its need to capture, and exploit,

large amounts of personal information from its users.

## **If it's free, you're the product**

This fundamental equation underpins an economic trade-off of free services in exchange for access to personal information and the right to display ads to users. Zuckerberg admitted that ads were not popular, [saying](#) "Even though some people don't like ads, people really don't like ads that aren't relevant". Zuckerberg didn't rule out the possibility of paid, ad-free access to Facebook, but it was clear that its highly effective – and lucrative – business model was not going to be replaced any time soon.

Saying that people don't like ads is an understatement. There are very few people who like ads, relevant or not. In a [survey](#) conducted by consulting firm Deloitte in 2017, between 75% and 80% of respondents used at least one type of ad-blocking technology. This wasn't just on a computer's web browser or mobile phone, it was also using video recorders or smart TVs to skip ads on TV, or paying for music and movie streaming specifically to avoid ads.

Even if ads do get through to social media users, their effectiveness is open to question – and it's one that turns out to be difficult to answer. Advertising is used to achieve a number of different aims. For a business [advertising](#) to consumers, the aim may be to increase general "brand awareness" of the company and their products. Other ads may be trying to achieve a specific goal such as getting people to click on a website and buy a product or come into a physical store and do the same. Measuring the effectiveness of these ads will be different depending on the objective. The other factor is that social-media advertising is usually only part of an overall campaign that involves other channels such as YouTube, search-result ads, print, radio and TV. Again, picking out what benefits came from what specific activity further complicates the

analysis.

## Lots of bucks, little bang

For Facebook and Google, the key metrics are how many people clicked on an ad and what happened after: Did the person end up buying the product or creating an account? The percentage of users who see an ad on Facebook and then click it is between [1% and 2%](#). Of those people, about 9% will take an action as a result of clicking. This means that if the ad were shown to 1,000 Facebook users, 10 would be expected to click the ad and only 1 would take any action. The average cost of this 1 person would be about US\$19.

Of the more than [5 million advertisers](#) who use Facebook, it is absolutely certain that large numbers of them derive no benefits from the ads they buy. Given that Facebook's [advertising income](#) for 2017 was US\$40 billion, this represents a massive amount of money that is essentially wasted.

Some businesses have realised that Facebook advertising brings minimal returns at best. In one [survey](#) of small businesses, 62% said their paid ads on Facebook were "missing the target" and not getting to the users that mattered.

Facebook has run into other problems with its advertisers. One of the largest, Procter and Gamble [cut its budget](#) for advertising by US\$750 million over the last three years. In part this has been in response to what the company sees as the problems with [digital advertising](#) that is controlled by only two companies, Google and Facebook. Together, they've cornered more than [70% of digital advertising](#) in the United States.

Facebook and Google have upset advertisers for other reasons as well.

Facebook has been [sued](#) for misrepresenting over two years how long millions of users were viewing videos, exaggerating the time by 60% to 80%. Major advertisers such as Verizon and Walmart stopped advertising on YouTube last year after they discovered that their ads were running next to [extremist and hate-speech content](#).

## Is it time for an outright ban?

In an [April 2018 article](#) in *The New Republic*, author David Dayen strongly argued that targeted advertising should be banned outright:

"The surveillance economy should die. This manner of advertising doesn't serve the public and it's not even clear it serves advertisers. It facilitates monopoly, as those with the biggest data troves receive all the ad dollars."

Given all of the evidence of Google's and Facebook's self-serving behaviour, it's hard not to agree. The majority of their users dislike advertising and will go to some effort to avoid seeing it. At the same time, a large proportion of businesses are spending money on ads that provide no benefit to them. Instead, the billions of dollars of advertising revenue benefits only Google and Facebook, not the economies in which they operate. Based on the available evidence, it appears that Google and Facebook will stop at nothing to exploit the [personal information](#) of every human being in their pursuit of profit.

It is only a matter of time before governments start tackling the issue. Google and Facebook not only control the majority of digital advertising, they already control [25% of all advertising](#) globally. And when targeted ads using [personal data](#) influence economic, social, and political beliefs and actions, there is a massive problem.

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