

PhonepayPlus consultation on PRS guidance for digital marketing practices and promotions

Submission by the Internet Advertising Bureau UK

1. Introduction

- 1.1 The Internet Advertising Bureau (IAB) is the UK industry body for digital advertising, representing over 800 businesses engaged in digital marketing, including media owners and advertising technology companies. The IAB's role is to help marketers find the best role for online and mobile advertising, promote understanding and good practice and to ensure a responsible medium. Further information is available at www.iabuk.net.
- 1.2 Advertising plays a significant role in the development of the internet. It is the lifeblood of the digital economy in the UK, EU and globally. As in traditional media, it is the business model for making (non-publicly funded) content widely available to UK citizens for little or no cost. It pays for much of the content and many of the services online: from search, webmail, social networking websites and price comparison sites, to productivity suites, blogs, video/photo sharing and the majority of news, information and video / entertainment sites.
- 1.3 According to a recent report for the Boston Consulting Group, the UK is the world's leading 'internet economy' with those businesses that engage in online marketing, sales and interactions standing to gain the most¹. Digital advertising - driven by consumer demand for content and services and faster internet speeds - is the fastest growing marketing medium in the UK outstripping all other advertising sectors. The UK leads Europe in digital advertising and no other country in the world has a higher share of its advertising market (31% of a total £17.6bn) than online and mobile does in the UK. In 2012, £5.4bn was spent on online and mobile/ tablet advertising in the UK, an increase of 12.5% on 2011². The UK ecommerce market – driven by advertising - contributes over £78bn every year to the UK economy³.

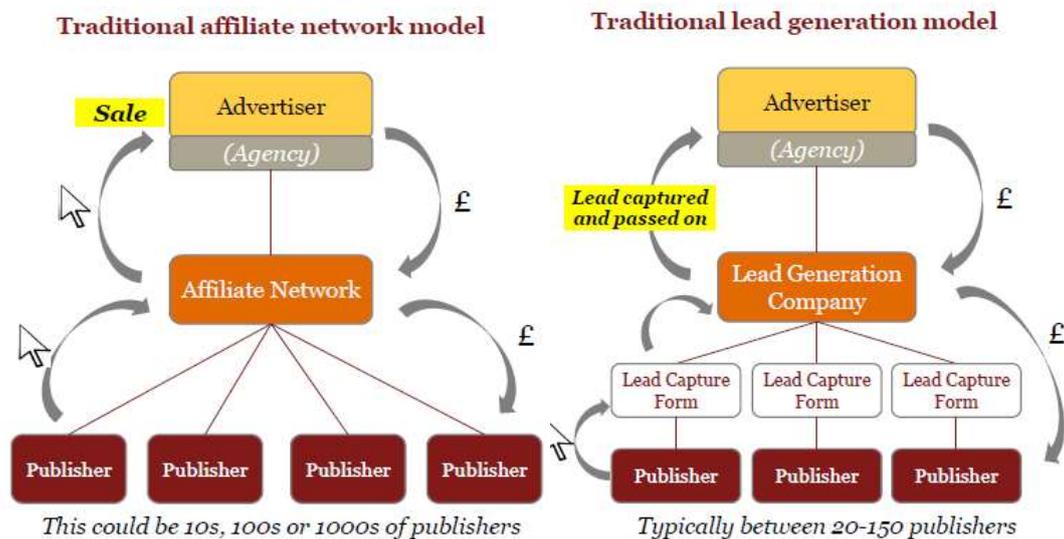
2. Performance marketing – driving ecommerce in a transparent way

- 2.1 Performance marketing differs from traditional 'display' advertising (ie the banner ads we see on websites). This is because it is paid for by outcomes (a consumer initiated outcome such as a purchase). There are two principal forms of performance marketing:
 - a. **Affiliate Marketing (see below):** This is where a consumer who, when clicking on an advertisement, is redirected to the advertiser's website to complete the transaction, following which a fee is paid to the content owners once the transaction is completed.
 - b. **Lead Generation (see below):** This is where a consumer, having entered various details into a form, has details passed onto the advertiser following which a fee is paid to the content owners (payment is on a per enquiry basis).

¹ <http://www.bcg.com/media/PressReleaseDetails.aspx?id=tcm:12-100468>

² IAB / PwC Digital Adspend 2012 <http://www.iabuk.net/research/library/2012-full-year-digital-adspend-results?nc=1>

³ IMRG 2012 www.imrg.org



- 2.2 There are varying types of affiliate business models. Each of these will be run in a slightly different way but they all have one thing in common in that they are paid small commissions by advertisers for referring customers to them. The most common type of ‘affiliates publishers’ are: cashback, loyalty and reward sites; voucher code or offer sites, blogger or editorial sites, and price comparison sites.
- 2.3 Affiliate marketing is a growing sales channel, deployed by leading brands and widely trusted by consumers. Example of brands using the affiliate channel are M&S, eBay, Amazon, John Lewis, B&Q, Sky, Apple Computers, Dell and Debenhams. Affiliates include mainstream publishers such as The Guardian, Associated Newspapers, Hearst Publishing, smaller niche online publishers and a growing number of larger deal-based affiliates such as vouchercodes.co.uk, Nectar, Boots and Quidco.
- 2.4 This type of marketing drives ecommerce. In 2012, PwC carried out a study for the IAB which looked at the value of the ‘performance marketing’ sector. In 2012 marketers spent £700 million on affiliate marketing campaigns which resulted in approximately £8 billion in sales. For further details see www.iabuk.net/research/library/the-value-of-uk-online-performance-marketing-january-2013.
- 3. Key Response Points (primarily responding to consultation document questions 1, 2, 11 and 12)**
- 3.1 The IAB supports the overall aims of the draft guidance in digital marketing practice and promotions. In particular, we welcome the promotion of transparency within digital marketing to prevent the misleading of consumers.
- 3.2 However we are concerned that the affiliate marketing sector – as a whole – is portrayed negatively in the consultation document. The tone of the consultation document – whether advertently or inadvertently – suggests that misleading practice in the affiliate marketing

sector is widespread. This is not the case. We therefore recommend that PhonepayPlus focuses on the 'traffic sources' used rather than the affiliates. Affiliate networks and ethical partners have strict controls over how traffic can be used and this dictates the affiliates working with them.

- 3.3 Whilst the consultation document recognises that some practices are always misleading (eg typosquatting), the IAB and its members do not support some of the publisher and advertiser tactics that are described in the consultation paper. The IAB seeks to spearhead good practice and transparency to minimise these tactics within the sector: we support good practice to reduce the small number of unethical affiliates engaged in unethical practices.
- 3.4 The IAB has also sought to raise awareness of performance marketing, and how it works, amongst consumers. This includes a consumer-facing website: www.iab-performance-marketing-explained.net.
- 3.5 The IAB – via its Affiliate Marketing Council – has also spearheaded good practice in the sector. Examples of IAB good practice include:
- Voucher Code of Practice (recently revised – see: www.iabuk.net/resources/standards-and-guidelines/affiliate-marketing-council-code-of-conduct-vouchers);
 - Ethical Merchant Charter - www.iabuk.net/resources/standards-and-guidelines/ethical-merchant-charter;
 - Auditing (as referenced in the draft guidance) - www.iabuk.net/resources/standards-and-guidelines/conducting-affiliate-audits-best-practice;
 - Promoting transparency under the revised ePrivacy Directive - www.iabuk.net/about/press/archive/iab-amc-publishes-consumer-transparency-framework.

A full list of IAB affiliate marketing good practice guides is at [www.iabuk.net/disciplines/affiliate-marketing/resources?type\[\]=standards_guidelines](http://www.iabuk.net/disciplines/affiliate-marketing/resources?type[]=standards_guidelines).

- 3.6 The IAB believes the consultation document overplays the extent of unethical behaviour by affiliates (despite the comments in 2.10 and 3.49) and overlooks that the sector's mainstream is engaged in good practice. **We recommend that good practice is reflected in the guidance document to raise awareness within the PRS community.**
- 3.7 Many responsible advertisers seek to keep a wide berth of any marketing partner that employs techniques likely to negatively impact consumers. IAB good practice seeks to help to promote a responsible sector for brands, thereby seeking to minimise the prevalence of less scrupulous tactics which may still reward activities at the expense of the consumer. In working with affiliate partners that adhere to good practice, brands can strengthen the sector and minimise the risks to consumers. In the same way as a premium retailer might seek to distinguish itself from less scrupulous traders, the same applies in affiliate marketing. The greater the commercial incentive for businesses to adhere to good practice the more responsible the sector as a whole.
- 3.8 The IAB believes this point needs to be recognised by PhonepayPlus in its guidance. **We recommend that it incorporates a stronger message (page seven) to PRS advertisers**

to ensure that their affiliate partners follow industry good practice at all times to uphold high standards. We believe this will make the guidance stronger and more effective, recognising that the mainstream sector seeks to uphold good practice and encourage others to join where appropriate.

- 3.9 Whilst we welcome the specific reference to IAB good practice for auditing, we also believe that the advertiser must be clear up front that they neither encourage, condone nor reward the methods described. Greater PRS adherence and attention to the right terms and conditions and standards they expect from promotional partners will decrease the overall reliance on auditing in upholding good practice.**

For further information please contact Nick Stringer or Clare O'Brien at the IAB: nick@iabuk.net or clare@iabuk.net.

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