



HOUSE OF LORDS

Select Committee on Communications

1st Report of Session 2017–19

UK advertising in a digital age

Ordered to be printed 27 March 2018 and published 11 April 2018

Published by the Authority of the House of Lords

HL Paper 116

Select Committee on Communications

The Select Committee on Communications is appointed by the House of Lords in each session “to investigate public policy areas related to the media, communications and the creative industries”.

Membership

The Members of the Select Committee on Communications are:

<u>Lord Allen of Kensington</u>	<u>Lord Goodlad</u>
<u>Baroness Benjamin</u>	<u>Lord Gordon of Strathblane</u>
<u>Baroness Bertin</u>	<u>Baroness Kidron</u>
<u>Baroness Bonham-Carter of Yarnbury</u>	<u>Baroness McIntosh of Hudnall</u>
<u>The Lord Bishop of Chelmsford</u>	<u>Baroness Quin</u>
<u>The Viscount Colville of Culross</u>	<u>Baroness Stowell of Beeston</u>
<u>Lord Gilbert of Panteg</u> (Chairman)	

Declaration of interests

See Appendix 1.

A full list of Members’ interests can be found in the Register of Lords’ Interests:

<http://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests>

Publications

All publications of the Committee are available at:

<http://www.parliament.uk/hlcommunications>

Parliament Live

Live coverage of debates and public sessions of the Committee’s meetings are available at:

<http://www.parliamentlive.tv>

Further information

Further information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is available at:

<http://www.parliament.uk/business/lords>

Committee staff

The staff who worked on this inquiry were Theodore Pembroke (Clerk), Niall Stewart (Policy Analyst) and Rita Cohen (Committee Assistant).

Contact details

All correspondence should be addressed to the Select Committee on Communications, Committee Office, House of Lords, London SW1A 0PW. Telephone 020 7219 6076. Email

holcommunications@parliament.uk

CONTENTS

	<i>Page</i>
Summary	3
Chapter 1: Introduction	7
Background	7
Box 1: Key participants in advertising	8
Our inquiry	9
Chapter 2: Internet advertising	10
Changing face of the industry	10
Figure 1: Ad spend	10
Figure 2: Digital ad spend	11
Digital media advertising market place	12
Programmatic advertising	12
Box 2: How programmatic advertising works	13
Transparency	14
Figure 3: Where money is spent in the value chain	15
Measuring advertising effectiveness	15
Advertising misplacement	16
Advertising fraud	17
Box 3: Types of advertising fraud	17
Regulation versus self-regulation	18
Market dominance	20
Role of the Competition and Markets Authority	22
Box 4: Competition and Markets Authority: market studies and investigations	22
New forms of advertising	24
Data protection	25
Chapter 3: Workforce	28
Introduction	28
Box 5: Business clusters	28
Skills for advertising	29
Box 6: Advertising skillsets	29
Digital skills gap	30
Arts subjects	30
The role of universities	31
Diversity	33
Recruitment practices	35
Careers advice	37
Apprenticeships	39
Apprenticeship levy	39
Box 7: Apprenticeship levy	40
Training standards	41
Impact of levy costs	41
Chapter 4: Access to international talent	44
Advertising's international reach	44
UK immigration system	45
Brexit uncertainty	46
Visa system	46

Box 8: Visa System	47
Students	48
Future development of UK immigration system	49
Summary of conclusions and recommendations	51
Appendix 1: List of Members and declarations of interest	55
Appendix 2: List of witnesses	57
Appendix 3: Call for evidence	61
Appendix 4: Visits	64

Evidence is published online at <https://www.parliament.uk/hlcomms-advertising-industry> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence.

SUMMARY

The UK's advertising industry is a success story. Advertising fuels the economy by helping businesses to grow and compete against one another. It is also a significant sector of the economy on its own. The UK, especially London, is a global centre for advertising, exporting services to clients around that world. In turn it attracts talented workers from overseas giving the industry its strong international quality. Advertising is a creative endeavour that contributes to the UK's culture and society. It plays an important role in the creative industries nurturing talent for example by providing work for film makers, musicians and artists. Advertising, having historically supported traditional media, now also funds a vast quantity of content and services available online. Advertising is regulated by an industry-funded body with the aspiration that it should be "legal, decent, honest and truthful".

The industry is in a state of flux: following rapid year-on-year growth the internet is attracting more advertising spending than all other media collectively. Although most news media publishers have moved online, advertising revenue from this new source does not nearly compensate for the loss of revenue from the decline in conventional print advertising. The production of high-quality content is under threat. Additionally, the United Kingdom's departure from the European Union presents a challenge for the industry's access to international workers. Our inquiry sought to investigate how the industry can maintain its success through these changes.

The rapid growth of 'digital' advertising has changed the nature of the businesses within the industry. Advertising agencies have been quick to sell digital advertising services to their clients but we are concerned that in doing so they have created a new threat for their industry: digital advertising often bombards users and does not comply with established standards. This has had a corrosive impact on the trust that advertising traditionally relied on.

A growing proportion of digital advertising is delivered through automated processes collectively known as 'programmatic advertising'. This has generated a plethora of new business models to make money from content and services, with the result that even individuals within the industry do not have a comprehensive understanding of how it works. Advertisers (those who pay for advertising) claim that this system is not transparent: they find it hard to ascertain where their money is being spent and whether they receive value for it. According to one estimate, over \$16 billion spent on digital advertising was stolen through fraud in 2017. Advertisers may also find that their advertising is displayed next to inappropriate or illegal content, such as hate speech or indecent content.

We recommend that the industry should take greater steps to self-regulate through independent bodies such as the Joint Industry Committee for Web Standards. The largest businesses in the industry should sign up fully to these bodies, which should be given greater powers to enforce rules. The Government should be prepared to legislate if business fails to act.

The digital advertising market is dominated by a small number of very large companies. These companies maintain that they do not abuse their position and that the market remains highly competitive. But given the lack of transparency, we recommend that the Competition and Markets Authority investigates this market to ensure that it is working fairly for consumers and other businesses. As

the Government proceeds with the work of its Digital Charter we recommend that it review whether competition law is appropriate for the 21st century digital economy.

As we await the implementation of the General Data Protection Regulation, we remain concerned that many businesses exploit users' data without informed consent. Nonetheless we note that digital advertising relies on the free flow of data and so it is essential that the UK maintains alignment with EU standards of data protection. We encourage the Government to ensure that the UK has a place on the European Data Protection Board as part of any post-EU membership settlement.

The rise of digital advertising has exposed a need for individuals with digital skills. Specifically, the industry requires individuals with a blend of arts and science skills. The current education system in England encourages children to specialise in either an arts or a science subject at a young age. At the same time, the Government's efforts to promote the take-up of science subjects has side-lined arts subjects on the school timetable. We therefore recommend that the Government should review the skills needed for the future workforce and consider whether the education system reflects the needs of the growing industries such as advertising and the creative industries generally which will be increasingly important in the face of automation.

Universities remain the largest source of entrants to the industry, but many witnesses noted that advertising and marketing courses are not sufficiently relevant to the needs of industry. We recommend that universities should work more closely with industry. They should also build strong local connections to help build regional growth.

The advertising industry needs a diverse workforce that reflects the demographics of the UK, including ethnicity, gender, class and ability. Advertising must also reflect the demographics of the UK onscreen. This is essential for the reputation and trust of the industry which are necessary for advertisers to communicate effectively with their audience. The advertising industry is better than most in taking action on diversity. We recommend that it should show further leadership in this regard. In particular, it should discontinue informal working and recruitment practices, such as unpaid internships, which present a barrier to those from lower socioeconomic backgrounds. The Government should also clarify the law on unpaid internships. The industry should also provide outreach and mentoring.

Better careers advice will also help increase diversity. The Government should provide more resources to encourage professional careers advice and take account of activities where children can interact with employers when they measure school performance, but the industry should also do more by providing role models, tools to help schools and create stronger initiatives to promote advertising as a career.

Apprenticeships present another route into the industry and have the potential to increase the talent pool and diversity of the industry. Many businesses have expressed frustration about the Government's apprenticeship scheme. The scheme is failing to provide training of an appropriate quality that works for businesses. It takes too long for apprenticeship standards to be approved. We note that this appears to be a wider problem for all creative industries and so we

recommend that the Government should review the suitability of its scheme for this sector.

The advertising industry's global success relies on its ability to attract and retain international workers who can understand international clients and their audiences. If the tiered visa system is applied to EU workers after the UK leaves the EU, the immigration system will become unmanageable and seriously damage the advertising industry. We recommend that the Government should negotiate reciprocal agreements with other countries under which international workers with a job offer in the advertising industry will have the right to work in the UK.

UK advertising in a digital age

CHAPTER 1: INTRODUCTION

Background

1. Advertising is essential for growth and competition in the economy, and for producing jobs. According to the industry's trade body, it added £120 billion to the UK's economy in 2016 supporting over 1 million jobs.¹ It is a significant industry in itself: in 2016, £21 billion was spent on advertising, and 198,000 people were directly employed in advertising and marketing services.²
2. London competes with New York as a global centre for advertising. UK agencies sell their services to clients around the world. Export of advertising services amounted to £4.3 billion in 2016, making it the UK's third largest services export.³ As a result the UK attracts talented workers from around the world which has given the industry a highly international character.
3. Advertising contributes to culture and society. Advertising is a creative endeavour in which the UK is especially successful: UK agencies have won more Cannes Lions prizes⁴ than agencies from any other European country. According to the Government, advertising and marketing services are the second largest of the creative industries in their contribution to the economy. Advertising is also of great importance for the other creative industries as a source of work and funding. For example, it nurtures the talent of content creators such as graphic musicians, film-makers, graphic designers and special effects technicians.
4. Jobs in the creative industries, such as advertising, are likely to become more important in the future. Sir Peter Bazalgette's *Independent Review of the Creative Industries*, published in September 2017, argued that these jobs "are highly resistant to automation with 87% of creative workers in the UK at low or no risk, meaning their share of the workforce is likely to rise steadily in coming years".⁵
5. Advertisements have long funded media, including radio, press and television broadcasting, and now sponsor a vast quantity of content and services available online. Following year-on-year growth, 'digital advertising'⁶ accounted for over half of all spending on advertising in the UK for the first time in 2017. All sectors of the advertising market have sought to take advantage of this medium including an increasing number of ad tech businesses (see Box 1). However, digital advertising has also disrupted more traditional modes of advertising and exacerbated problems such as fraud.

1 Written evidence from the Advertising Association (ADV0019)

2 Written evidence from HM Government (ADV0016)

3 Written evidence from the Advertising Association (ADV0019)

4 The Cannes Lions International Festival awards prizes for creativity in advertising.

5 Sir Peter Bazalgette, *The Independent Review of the Creative Industries* (September 2017): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/649980/Independent_Review_of_the_Creative_Industries.pdf [accessed 3 April 2018]

6 In this report we use the term 'digital advertising' reflecting the practice of many of our witnesses. Others use 'online' or 'internet' advertising to mean the same thing.

Box 1: Key participants in advertising

Advertisers pay for advertising. They include businesses, political or civil society organisations and public bodies.

Advertising practitioners, whose businesses are known as **agencies**, develop the content of advertisements and arrange for them to be distributed. Agencies are supported by others such as content producers, including film-makers, musicians and artists.

Media owners own space where advertisements are consumed. Media owners, including news media publishers, broadcasters and owners of physical spaces such as billboards and buses, receive money for displaying advertising.

Ad tech businesses mediate the delivery of advertising with digital technology.

Online platforms encompass search engines, video-sharing and social media platforms, which aggregate content for users. Many receive advertising revenue as media owners and by providing ad tech services.

6. The internet has also generated many innovative but complicated business models to make money from the provision of content and services. The details of these business models are not open to external scrutiny and the market has been described as “murky”. As a result, even people within the industry cannot follow new developments.⁷ Online advertising often involves the processing of personal data that ‘identifies’ the interests, economic, personal and emotional data of a user. Advertisers compete to buy users’ attention on the basis of whether they resemble the ‘sort of user’ they wish to communicate with. The user is then shown an advertisement that they may or may not engage with. In this model content may be professionally produced (for example, news media), user generated (personal Facebook feed), or from business source (Amazon). In each case, the user is not charged for a service but rather the user exchanges their data for it. There is an aphorism about the internet that: “if the product is free, you are the product”.⁸ This is explored more fully in Chapter 2.
7. The UK enjoys high standards of regulation of advertising content through the self-regulation of the Advertising Standards Authority (ASA)—that is, the industry pays for the ASA, an independent body, to create and enforce rules without requiring legislation or courts. The ASA’s mission is to ensure that advertising is “legal, decent, honest and truthful”. As a result, consumers have historically had a high degree of trust in UK advertising and we believe that “legal, decent, honest and truthful” should remain the values of advertising.
8. The abundance of unpaid-for content available on the internet has fragmented audiences and enabled digital advertising to target individual users rather than being connected to specific content. This has had a profound effect on the production of high-quality content, especially news media. Online advertising avoids the standards that other advertising generally adheres to. Users feel bombarded by low quality advertising such as ‘clickbait’. All of this threatens to undermine the quality of user experience and trust. Without trust advertising is not effective, thus the industry itself is at risk.

⁷ [Q 43](#) (James Murphy)

⁸ Written evidence from Guardian News & Media ([ADV0032](#))

Our inquiry

9. At the outset of our inquiry we noted that leaving the EU could limit the UK's international success as posing a risk to the advertising industry. We set out to investigate how the Government can support the sector, which has clear economic and cultural benefits to the UK.⁹ As we proceeded with our investigation, we found it necessary to consider in detail the seismic changes to advertising brought about by digital technologies.
10. In this report we first address the impact of digital advertising. We then consider the workforce and skills needed for the advertising industry to thrive. Finally, we consider the international nature of the industry and its use of international workers. A number of areas explored in this report illustrate issues that affect the wider creative industries sector.
11. During our inquiry we heard evidence from representatives of businesses and industry bodies, regulators, universities, and ministers. We also visited Manchester Metropolitan University where we met academics, students and businesses. We are grateful to all those who contributed to our inquiry. We are grateful to our specialist adviser Professor Agnes Nairn, Chair of Marketing at the University of Bristol, for her expert advice.

9 See Appendix 3 for our Call for Evidence.

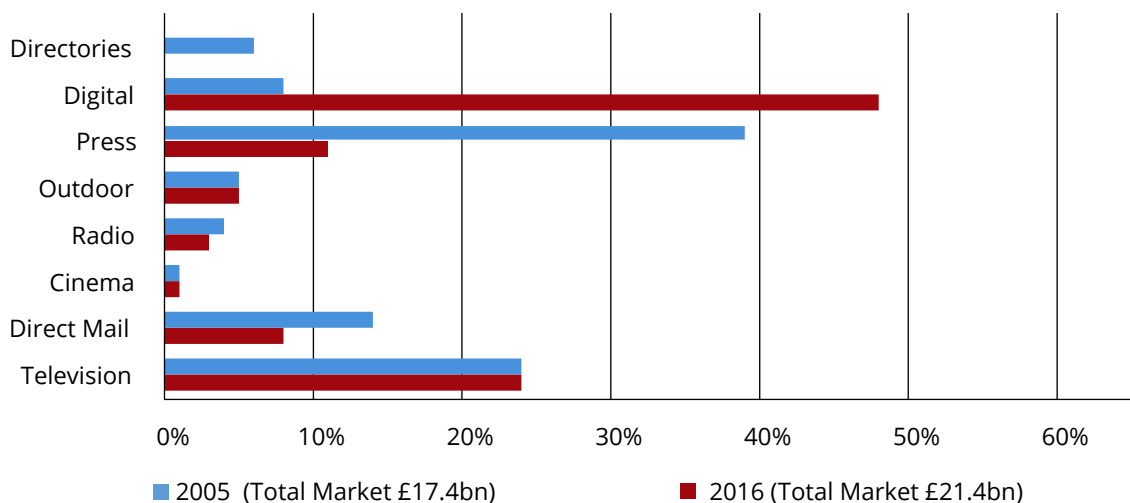
CHAPTER 2: INTERNET ADVERTISING

Changing face of the industry

12. In this chapter, we investigate the impact of digital advertising. UK businesses have been particularly successful at taking advantage of this medium but we heard concerns that digital advertising lacks the high standards of transparency provided by TV, radio and press advertising.
13. Digital advertising is growing quickly and taking an ever larger share of advertising spending. John Mew, Chief Executive Officer of the Internet Advertising Bureau UK, told us:

“The ad market in the UK has grown over the last 10 years from £17.4 billion to £21.4 billion spent in the UK. The market is growing but ... digital has grown from 8% to 48% ... Print advertising has declined from 39% to 11%. Directories have almost completely disappeared.”¹⁰
14. Within digital advertising, ‘mobile advertising’, designed to be delivered on a smartphone device, accounts for over half of display advertising and for most of the growth in the market.¹¹ Figure 1 shows how advertising spending has changed since 2005.

Figure 1: Ad spend



Source: Written evidence from the Internet Advertising Bureau UK ([ADV0022](#))

15. Katharine Newby Grant, an Associate Director at Procter & Gamble, which spends more on advertising than any other company worldwide, explained the attractiveness of digital advertising:

“We can reach consumers when they might be receptive to advertising; ... we can reach certain demographics of consumers—the younger demographic; and ... we could be more targeted within digital. Also, sometimes digital is close to that moment of purchase—if we think about online shopping.”¹²

¹⁰ [Q 17](#)

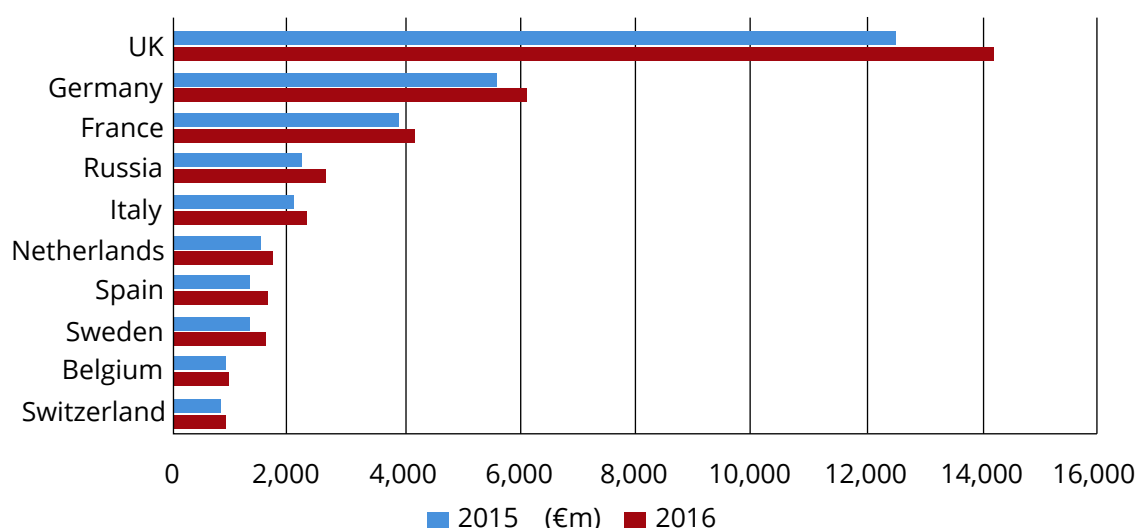
¹¹ Written evidence from the Internet Advertising Bureau UK ([ADV0022](#))

¹² [Q 74](#)

However, she added: “There are no boundaries in the amount of digital advertising that is allowed on the internet and so, as a consumer, you are bombarded.”

16. In response to this bombardment users are increasingly resorting to ‘ad-blocking’ technology which prevents advertisements from being displayed. This is itself of great concern to the industry as it undermines the ability of advertisers to reach consumers.¹³
17. Phil Smith, Chief Executive of the Incorporated Society of British Advertisers (ISBA), told us that most advertisers “say they are going to continue to spend more in digital” because consumers are spending so much time online: “Reach is the primary reason why brand-based advertisers are using digital today”.¹⁴ By contrast, “there has been a real fragmentation of the audience when it comes to traditional media”.
18. The UK spends more on digital advertising than any other EU country and more per capita than the USA. Figure 2 shows the relative size of EU markets. According to Professor Patrick Barwise of the London School of Business, “Nobody knows the answer to why the UK is the leading major economy in terms of marketers and consumers using the internet.”¹⁵

Figure 2: Digital ad spend



Source: Written evidence from the Internet Advertising Bureau UK ([ADV0022](#))

19. As noted above, the shift to digital advertising had been particularly disruptive for the print advertising sector. Sir Martin Sorrell, Chief Executive Officer of WPP, said, “If you had asked me what proportion of media spend is accounted for by traditional print about a year or so ago I would have intuitively reacted by saying 25% or a third. It is now 9%. When I started in the industry, which is a long time ago, it was 40%.”¹⁶ Classified advertising—which includes listings for jobs, property, cars, tradespeople—used to be a major source of income for the press, particularly local newspapers, but the low barrier

13 Supplementary written evidence from IAB UK ([ADV0033](#))

14 [Q 74](#). ‘Reach’ refers to the number of people who are exposed to a given medium.

15 [Q 125](#)

16 [Q 62](#)

of entry to online advertising has made classified print advertising almost disappear.¹⁷

20. News publishers receive revenue from digital advertising, but according to Guardian News & Media (GNM), “since 2012, news organisations have lost £31 in print advertising, in return for a gain of the equivalent of just £1 in digital advertising”. The change has encouraged some publishers to change their revenue model. For example, according to James Collier, Co-Founder of Prism, the *New York Times* has “started to mediate their business away from advertising and [towards] a consumer-direct and subscription-style service.” Matt Rogerson of the GNM said that print advertising now accounts for less than 10% of his company’s total revenue base: “We have a range of other revenue sources, which include digital advertising, some e-commerce and money from philanthropic organisations to help to fund specific areas of work that we do.”¹⁸ But most importantly it now receives revenue from “subscriptions, membership and contributions.”
21. There was concern for the future of serious journalism as the lure of vast digital advertising revenue influences news content. Mr Rogerson told us that “advertising follows audiences” online whereas previously advertisers would place their advertising next to the best quality content:

“The platforms that have the most personal data on the most people are the most attractive to advertisers. The two platforms that have the most personal data on the most people are Google and Facebook. Therefore, advertisers book to follow an audience around the web, regardless of where they go, in terms of the quality environment.”¹⁹
22. By contrast, TV advertising has remained more resilient than print. It has also exploited new technology to target audiences. Nonetheless, those of our witnesses who represented broadcasters were unanimous in expressing concern about the mechanisms of digital advertising.²⁰

Digital media advertising market place

Programmatic advertising

23. An advertiser or agency may arrange directly with a media owner to buy online ‘inventory’—the space available for advertising—just as with print advertising. But the majority of online inventory is now sold through automated processes, known collectively as ‘programmatic advertising’. Advertisers may have a direct relationship with media owners when they buy inventory through programmatic technology. ‘Real-time bidding’ is a further form of programmatic advertising whereby advertisers can ‘bid’ for ads to target individual users. Bidding takes place in an auction which lasts milliseconds when a user visits a site. Box 2 outlines the steps involved in the process. According to IAB UK, after rapid growth in recent years, 72% of all digital advertising was traded programmatically in 2016, and it is expected to account for 80–90% of display ad spend in 2019. Google explained the benefits of programmatic advertising:

17 [Q 124](#) (Professor Patrick Barwise)

18 [Q 28](#)

19 [Q 29](#)

20 e.g. written evidence from Thinkbox ([ADV0017](#))

“It improves the effectiveness of advertising for advertisers and enables publishers to maximise the monetisation of their content and minimise the risk of inventory remaining unsold. For users, it means that they are more likely to see advertisements that are aligned with their interests.”²¹

Box 2: How programmatic advertising works

Key players:

Ad exchange: an ad exchange is a digital marketplace that enables advertisers and media owners to buy and sell advertising space through real-time auctions.

Supply Side Platform (SSP): SSPs help publishers access advertisers on different ad exchanges to get the best yield for their advertising space.

Demand Side Platform (DSP): a DSP is a technology that enables advertisers to plug into different ad exchanges and access advertising space.

Key steps of ‘real-time bidding’ programmatic advertising:

1. Publishers make their inventory available to the ad exchanges via an SSP.
2. Advertisers decide roughly which audiences they want to target with their ads (this could be based on their existing audience data such as existing website visitors, act-alike audiences of existing customers, or demographics).
3. An individual visits a webpage. As the webpage loads, information about the individual and the content of the page is gathered and reported back to the ad exchange.
4. Algorithms process the information to make inferences about the individual’s characteristics such as age, income and interests. The information may derive from ‘cookies’, software downloaded on to the individual’s device during previous web activity, or from an online service provider with whom the individual holds an account. GPS technology may also provide information about the individual’s geographical location.
5. If the characteristics match targeting defined by the advertiser, the advertiser is entered into an auction with other advertisers who are also bidding for the individual.
6. Whichever advertiser has the highest bid wins the right to show advertising to the individual during the visit to the webpage.
7. Publishers get paid for the advertising they show on their sites.

Steps 3 to 6 **happen in milliseconds**.

Source: Written evidence from Google UK ([ADV0031](#)) and Tara West, ‘How to get started with Programmatic advertising: A beginners guide’: <http://www.stateofdigital.com/get-started-programmatic-advertising-beginners-guide/> [accessed 2 February 2018]

24. There has been an explosion of ad tech businesses using different technologies and business models. James Murphy, Chief Executive of adam&eveDDB, told us: “It is a very fragmented landscape which is enormously complicated with lots of players involved and very fast-changing; in fact, we often see that the people working in that sector cannot themselves fully understand what is happening around them.”²²

²¹ Written evidence from Google UK ([ADV0031](#))

²² [Q 42](#)

25. Marc Pritchard, the Chief Marketing Officer of Procter & Gamble, told an industry conference in January 2017 that the supply chain of digital media services²³ from the advertiser to the consumer is “murky at best and fraudulent at worst”.²⁴ Many of our witnesses, particularly advertisers and traditional media owners such as the press and broadcasters, cited this speech in their evidence. According to Professor Patrick Barwise of London Business School, “2017 is the year of the beginning of the pushback by advertisers against the murky value chain”.²⁵ In this section, we consider the related problems of transparency, measuring effectiveness, advertising misplacement and fraud and what steps have been taken to address them and what more can be done.

Transparency

26. There are so many intermediaries in the digital media market between advertisers and media owners that it is very difficult for advertisers to see how their money is being spent, where their advertisements are displayed and whether they receive value. Sky UK told us:

“Taken as a whole, the digital advertising market is not fair and open. Much of this comes down to a lack of transparency in a highly complex value chain and a historical poor level of standards around responsibility.”²⁶

27. Jon Mew of the Internet Advertising Bureau UK, however, thought that concerns that advertisers could not see where their money is being spent were not new: “It is not a problem that has come about because of digital; it is a problem that has always existed in media about having transparency.”²⁷ Indeed, according to Mr Mew, technology could help to resolve some of the problems.

28. James Collier of Prism, on the other hand, explained that the scale of digital advertising made the problem different:

“We now have about 3,000 companies, the middle men, involved in the trading of digital advertising. Unfortunately, it is very difficult to unpack. On a typical ad page—let us say on MailOnline—you may have 400 or 500 different requests for you as an individual when you arrive on that page.”²⁸

29. Guardian News & Media, a publisher, told us that it that it had conducted tests to purchase its own ad inventory to see how advertisers’ money is spent across the value chain. It found that in the worst cases, “just 30 pence of a pound spent by an advertiser was received by the publisher”.²⁹ Figure 3 shows where some of this money is spent.

23 This supply chain is sometimes referred to as the ‘value chain’.

24 Marketing Week, ‘P&G issues call to arms to ad industry over ‘antiquated’ media buying’: <https://www.marketingweek.com/2017/01/30/pg-media-buying/> [accessed 1 February 2018]

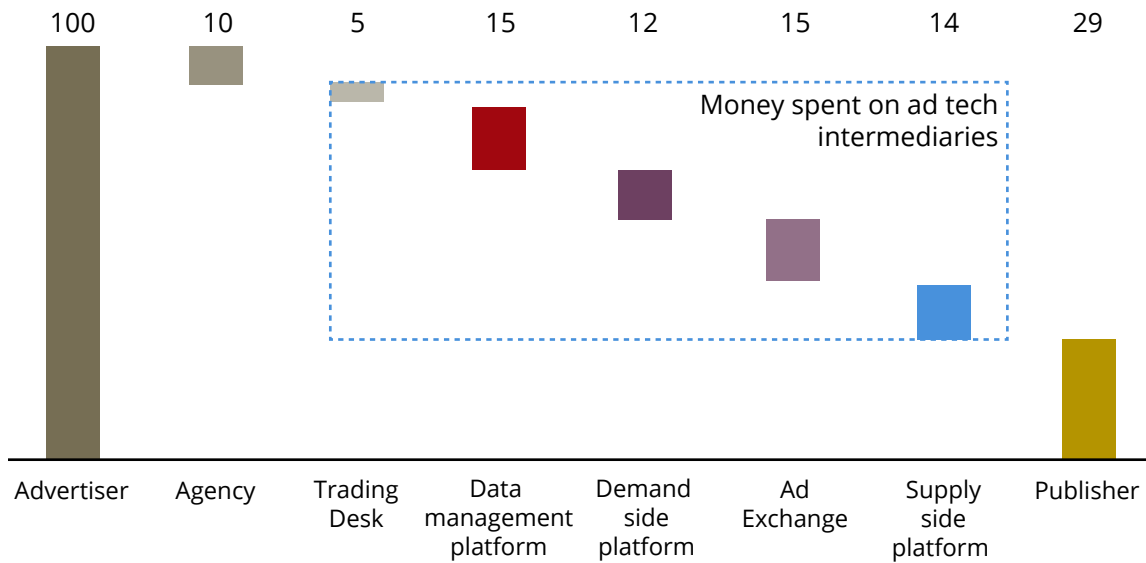
25 [Q 125](#)

26 Written evidence from Sky UK ([ADV0029](#))

27 [Q 18](#)

28 [Q 127](#)

29 Written evidence from Guardian News & Media ([ADV0032](#))

Figure 3: Where money is spent in the value chain

This graph shows how one dollar of advertising spending was distributed to businesses within the digital advertising supply chain in one study in the USA. 100 = \$1.

Source: Written evidence from John Chisholm ([ADV0036](#))

Measuring advertising effectiveness

30. Measuring the effectiveness of digital advertising is linked to the issue of transparency. Metrics, such as how many users click on an advertisement, are used to determine how much advertisers pay. Without understanding the metrics and whether they reflect genuine effectiveness, advertisers cannot judge whether their money is well spent.
31. James Collier said that measuring return on investment is more difficult in digital advertising than it may appear on the face of it: “No one really understands what metrics to apply. Is it attention? Is it clicks? Clicks do not lead to sales. It is probably one of the most difficult issues we face in digital advertising.”³⁰
32. John Kearon, founder and Chief Executive Officer of System 1, argued that advertisers were being lured by metrics such as clicks and shares because they appear to be mathematical and based on the action of users. In his view, the ability “to make you feel” was more important. He cited a study which found that advertising on traditional media was 11 times more effective than digital advertising. Nonetheless, he did not think that greater standards of transparency were necessary: “Frankly, buyer beware. If you choose to be blinded by the perception that these numbers are delivering a return on investment, then more fool you.”³¹
33. ‘Viewability’ is another way to measure advertising effectiveness. Advertisers are charged if an advertisement becomes viewable to a consumer. The IAB defines viewability for video advertising as 50% of the ad in view for two consecutive seconds.³² Many witnesses argued that this was not adequate. Keith Weed, Chief Marketing Officer of Unilever, called for 100% viewability of the whole ad.³³ Many digital advertising businesses are not audited by an independent body to verify the adequacy of the accuracy of their metrics.

30 [Q 127](#)

31 [Q 59](#)

32 Written evidence from Sky UK ([ADV0029](#))

33 Written evidence from News Media Association ([ADV0011](#))

34. By contrast, the News Media Association said that other media sectors (such as print publishers, and television and radio broadcasters) had invested heavily “in developing a range of robust third-party audience measurement systems.”³⁴ As a result, there no uniform standard of metric and according to Sky UK, “advertisers are not always clear on the product they’re buying and how comparable they are”.³⁵
35. For Professor Barwise the lack of independent audit by a third party was an “abomination”:
- “Facebook marks its own homework and then repeatedly has to fess up to getting it wrong. To me, what we need is the equivalent of [the Broadcaster Audience Research Board] for online display advertising. I would like to see more power to [the Incorporated Society of British Advertisers] arm in particular to say, “We are simply not going to play ball with you until you clean up your act and have audited measures”.”³⁶

Advertising misplacement

36. The automated buying of inventory and placement of ads has increased the risk of ‘ad misplacement’, “where ads are placed against content that may be inappropriate for the advertiser for commercial reasons (e.g. irrelevant audiences for a particular brand) or more seriously inappropriate in a broader societal context (e.g. against illegal, harmful or offensive material).”³⁷ Sky UK told us that in February 2017 one of their adverts was placed next to a YouTube video uploaded by David Duke, a white supremacist. Ad misplacement can damage the reputation of brands. Because content providers receive a share of advertising income, it has also enabled “a viable funding model for illegal content such as terrorism material and copyright infringement”.³⁸
37. Advertisers have therefore taken steps to address misplacement. Phil Smith, Director General of the Incorporated Society of British Advertisers (ISBA) said that advertisers can “be more specific about where your advertising is going to be placed. You can do that by direct dealing with publishers, by using only private exchanges and by the more or less extensive use of whitelists and blacklists”.³⁹ Whitelisting is a process by which the advertiser only buys inventory on channels which it has identified appropriate content for their brand. Mr Smith noted, however, that each of these steps come with costs for advertisers.
38. Following press scrutiny, YouTube took steps to address this issue, including “installing additional controls around sensitive subjects and updated machine learning models”. However, during the course of our inquiry other serious instances of advertising placed next to inappropriate content were reported.⁴⁰ Unilever, which is the world’s second largest advertiser, threatened to withdraw its advertising from both Facebook and Google unless they eradicate inappropriate content.⁴¹

34 Written evidence from News Media Association ([ADV0011](#))

35 Written evidence from Sky UK ([ADV0029](#))

36 [Q 128](#)

37 Written evidence from Sky UK ([ADV0029](#))

38 Ibid.

39 [Q 77](#)

40 [Q 86](#) (Henry Faure Walker)

41 ‘Marmite maker Unilever threatens to pull ads from Facebook and Google’. *The Guardian*, (12 February 2018): <https://www.theguardian.com/media/2018/feb/12/marmite-unilever-ads-facebook-google> [accessed 15 February 2018]

39. Mr Smith told us that ISBA has had repeated meetings with online platforms to ensure that “content is fit for consumption”. Despite some progress, ISBA would continue to “push for a much stronger line”. In particular, ISBA thought that only content that has been positively vetted should be made available by platforms for advertising.⁴²

Advertising fraud

40. ‘Ad fraud’ is fraud committed in the delivery of advertising. Different varieties of ad fraud are set out in Box 3. Phil Smith of ISBA told us that ad fraud is a significant problem but not well understood:

“The biggest single issue is that estimates vary so much depending on the vested interests you ask. Some people will tell you 2% and some will tell you way more than 50%, and that is a very big range. The World Federation of Advertisers put an estimate at 30%, but that is rather a wet finger in the air. The ISBA equivalent in the US, the [Association of National Advertisers], did a study of 49 more sophisticated advertisers and came up with a global estimate of something like \$6.5 billion worth of fraud, 9% in display advertising and 22% in video advertising.”

41. Other witnesses presented other figures. Matt Rogerson cited a further study by WPP which estimated the cost of ad fraud at \$16.4 billion in 2017. James Collier put the figure at about 20% across digital advertising.⁴³ Mr Smith told us that ISBA was working with PwC and other industry bodies to produce an estimate for the UK in 2018.

Box 3: Types of advertising fraud

Invalid traffic: traffic or clicks on ads from non-human entities or ‘bots’ on the web.

Malware: fraud software unwittingly installed on users’ computers or mobile devices to replicate or repeat clicks and views.

Inventory fraud: advertising space is sold on fraudulent sites which imitate the URL or domain name of a legitimate media owner.

Infringed content: content lifted from legitimate publishers and transferred to a fraudulent site with surrounding advertising which generates income for the fraudster.

Source: Written evidence from Sky UK (ADV0029)

42. Mr Smith said that a range of “bad actors” were responsible:

“Some of them are operating on quite a local basis simply by clicking on ads in order to be able to earn revenue. Some are much more sophisticated actors, who are, potentially with organised crime backing, creating software that, in itself, is going to be driving very large numbers of false impressions.”

43. The News Media Association cited one scam called ‘the Methbot’, which defrauded advertisers of between \$3 million and \$5 million a day at its peak via half a million fake users and 250,000 fake websites.⁴⁴

⁴² [Q 77](#)

⁴³ [Q 127](#)

⁴⁴ Written evidence from News Media Association ([ADV0011](#))

Regulation versus self-regulation

44. Advertising is primarily self-regulated through the Advertising Standards Authority (ASA) which enforces two codes of practice. Consumer protection legislation is used by the ASA as backstop in cases where advertisers refuse to comply with its adjudications.⁴⁵ Data protection legislation, which we consider later, is also relevant to advertising.
45. James Murphy told us that media owners, advertisers, agencies and trade bodies need to work together to regulate the digital advertising market and deliver an appropriate level of transparency. In Ms Newby Grant's view, the failure of industry to take responsibility for advertising would mean "consumers will lose trust in the brands, in the advertising and in the platforms".⁴⁶ Max Beverton UK Policy Manager of Sky UK said, "It is a market that has no or little trust and little accountability. There is nobody watching over it independently to give us surety as an advertiser that we are getting value."⁴⁷
46. Leo Rayman, Chief Executive Officer of Grey London, told us: "We think people should self-regulate rather than have ... regulation imposed upon them, and it is incumbent on every party in the value chain to be involved in making that decision."⁴⁸
47. Katharine Newby Grant told us about the measures Procter & Gamble had put in place to improve standards of online advertising:
- "We also now hold all our publishers to a high level in terms of brand safety. We only want our advertising to go next to what we would deem appropriate non inflammatory content. We have put in third-party verification, so we tag and track our digital advertising so that we know where it was placed and that it was viewed by a consumer. We are also insisting on eliminating ad fraud. We are taking action and we have put in place procurement contracts so that we can do that and third-party verification."⁴⁹
48. Mr Smith explained that advertisers were taking steps to address the problems of the value chain:
- "However, that tends to come at a cost, such as additional technology costs to be able to monitor that and, more importantly, in terms of your ability to reach audiences cost-effectively, because you tend to constrain the amount of inventory that you can access."⁵⁰
49. Mr Smith told us that ad misplacement should not just be the responsibility of advertisers but also of platforms:
- "We do recognise that much has been done and we have had repeated meetings with the platforms through the course of the year. We are aware of some of the things that are going on behind the scenes and some of the measures they have proactively introduced, but we are pushing for a much stronger line. Particularly for advertisers, we think that content

45 Written evidence from ASA System ([ADV0015](#))

46 [Q 74](#)

47 [Q 99](#)

48 [Q 48](#)

49 [Q 74](#)

50 [Q 77](#)

should only be made available that has been positively vetted, and that is not the case currently.”⁵¹

50. Professor Barwise told us that the market would resolve some of the issues raised by the “murkiness” of the value chain, but he was not “over-optimistic” that the market will sort it out.⁵²
51. On 25 January 2017 the Government launched its Digital Charter, a work programme “to agree norms and rules for the online world and put them into practice”.⁵³ According to the Government’s written evidence, “It is likely that the Charter will cover issues relating to online advertising”.⁵⁴

Joint Industry Committee for Web Standards (JICWEBS)

52. The Joint Industry Committee for Web Standards (JICWEBS) comprises representatives from ISBA, the Institute of Practitioners in Advertising, the Internet Advertising Bureau UK and the Association of Online Publishing. It was created by the UK and Ireland media industry to ensure independent development of standards and benchmarking of best practice for online ad trading. It has agreed principles on viewability, brand safety and ad fraud.
53. Mr Smith told us:

“We are founder members of JICWEBS and have been encouraging the major platforms to join, along with all the other online publishers, and we are seeing movement in that area. One of the issues that is raised frequently, though, is a local standard versus a global standard. These are big global companies that we are dealing with and, in many cases, the objection is: “We do not want to adopt something in one market that we will have to replicate in 100 different ways in other markets”. ”⁵⁵
54. Mr Collier explained that Google and Facebook may already have internal standards that they apply more rigidly than the IAB or JICWEBS would require, but because they have such a large share of the market across different technologies, they rarely commit to external rules. His solution was to give trade bodies “more teeth”, including enforcement powers that would “encourage people to get involved, because at that point if you are not in it you risk being in a situation where you are being governed by other people and you have no say.”⁵⁶
55. **Advertising fraud and misplacement present serious problems for the industry. They are caused by the lack of transparency in the digital media value chain. This has diminished trust within the market. There is a serious risk that advertisers, particularly smaller ones with less experience of the market and fewer resources, may not receive value for money.**
56. ***It is in the interests of the whole industry to take greater steps to self-regulate through independent third parties such as JICWEBS. We think that the largest industry bodies should commit to signing***

51 [Q 77](#)

52 [Q 127](#)

53 Department for Digital, Culture, Media & Sport, *Digital Charter*, (January 2018): <https://www.gov.uk/government/publications/digital-charter>

54 Written evidence from HM Government ([ADV0016](#))

55 [Q 78](#)

56 [Q 128](#)

up fully to JICWEBS. We recommend that the industry should give these bodies greater powers to create and enforce rules establishing robust industry standards on measuring effectiveness and third-party verification. If businesses fail to do so, the Government should propose legislation to regulate digital advertising.

57. *We agree with the Incorporated Society of British Advertisers (ISBA) that content should not be made available for advertising placement unless it has been positively vetted. We ask ISBA what progress it has made in persuading online platforms to vet such content and what action still needs to be taken.*

Market dominance

58. The digital advertising market is dominated by a small number of tech firms. In the UK, Google and Facebook alone receive the majority of spending on online advertising. Google operates businesses at different levels of the digital advertising value chain through its DoubleClick business⁵⁷ and now has an 80 to 85% share of the ad tech market.⁵⁸

59. Professor Barwise of the London Business School told us that market forces were unlikely to counteract the dominance of these companies: “once you achieve a dominant market share in this kind of market, it is almost impossible to be displaced ... The most you can hope for is that they get eclipsed by someone dominating a new market that becomes bigger.”⁵⁹

60. Market dominance is not illegal in itself. Abuse of such dominance—for example restricting competition or exploiting consumers—is illegal⁶⁰ and dominant companies have a special responsibility to ensure that their conduct does not distort competition. In their written evidence Google emphasised that:

“Ad tech is a highly competitive part of the market, with many established businesses, but also regular new entrants and start-ups. This competition has resulted in rapid innovation, which has benefited both advertisers and publishers.”

61. However, many analysts believe that the number of ad tech companies will decline significantly over the next few years.⁶¹ Professor Barwise told us, “Most of the new technology is being developed by startups and the big tech players. When a startup is looking successful, it tends to get bought by one of the big tech players.”⁶² According to Guardian News & Media:

“As a consequence of this consolidation in the digital advertising market, publishers, media owners, advertisers and media agencies will become increasingly reliant on a few, large digital intermediaries to trade and serve digital advertising.”⁶³

57 Written evidence from Google UK ([ADV0031](#))

58 [Q 127](#) (James Collier)

59 [Q 125](#)

60 [Q 118](#) (Dr Michael Grenfell)

61 Kevin Gallagher, ‘Ad Tech Explainer’ (January 2017): <https://www.businessinsider.com/intelligence/research-store?IR=T#!/The-Ad-Tech-Explainer/p/79018167/category=11987293> [accessed 4 February 2018]

62 [Q 126](#)

63 Written evidence from Guardian News & Media ([ADV0032](#))

62. There were indications that this is already a problem. James Collier, co-founder of Prism, an ad tech business, told us that through its various businesses Google “own the device and they own the browser. They own the ad server; they own the ad network that monetises it. They are also a brand, et cetera. Throughout the value chain, they have a large and quite—I use this word with some preface—dominant position in some of those areas.”⁶⁴
63. Mr Collier also told us that Google’s DoubleClick prioritises its own requests for advertising in that space.⁶⁵ If so, this appears to reflect the findings of a European Commission investigation into Google’s search practices. On 27 June 2017 the Commission fined Google and its parent company Alphabet Inc 2.42 billion euros for breach EU antitrust rules after finding that it had abused its dominant market position by giving an illegal advantage to its shopping service in search results.⁶⁶
64. A similar issue exists with Facebook. Mr Collier said that “Facebook is an open platform but is obviously highly controlled. That means they control the message that comes through and the types of advertisers that are used.”⁶⁷
65. Phil Smith of ISBA told us:
- “The impact, in digital, of their [Google and Facebook’s] strength is that advertisers do feel they lack choice when they are looking simply within digital media. In addition, the mechanisms for the sharing of revenues between content provider and platform, and the need to be on those platforms if you wish to be represented digitally ... are tilted in the wrong direction.”⁶⁸
66. Adam Cohen of Google defended the competitiveness of the market:
- “You have made the point that Google and Facebook are side by side here and everyone else is small. That is definitely not the case. We are in competition with Amazon and Snapchat. Adobe and Oracle are in the ad tech space. News Corp has just led a consortium with Axel Springer for online programmatic advertising. There are big agencies such as WPP and Publicis. There are lots of enormous players in this space. What we see, from the competition perspective, is all the qualities that you would want: an enormous amount of choice, low prices and high quality.”⁶⁹
67. Tobin Ireland, Chief Executive Officer of Smartpipe Solutions, added:
- “Facebook and Google, the duopoly, have earned their market share by providing better tools, better data and a better environment, which drives higher performance advertising. That is why a higher percentage of the media spend is going on to Facebook and Google channels. It does not mean there is not an opportunity to compete with that; it means that the bar is pretty high.”⁷⁰

64 [Q 124](#)

65 [Q 127](#)

66 Commission Decision of 27 June 2017 relating to proceedings under Article 102 of the Treaty on the Functioning of the European Union and Article 54 of the Agreement on the European Economic Area (AT.39740 - Google Search (Shopping)): http://ec.europa.eu/competition/antitrust/cases/dec_docs/39740/39740_14996_3.pdf

67 [Q 124](#)

68 [Q 80](#)

69 [Q 137](#)

70 [Q 55](#)

68. However, Mr Smith expressed concern that the dominance of Google and Facebook might affect consumers. The volume of advertising had increased over time, for example, with regard to search. He told us that “There is something around the way in which the platforms have struck their relationship with consumers when they go advertising free first and then introduce advertising over time, where the contract is not quite as transparent as it has been in other media.”⁷¹

Role of the Competition and Markets Authority

69. Some of our witnesses, including representatives of the press, argued that the Competition and Markets Authority (CMA) should undertake a ‘market study’ of the digital advertising market. Box 4 explains this process further.

Box 4: Competition and Markets Authority: market studies and investigations

The Competition and Markets Authority’s (CMA) primary duty is to promote competition, both within and outside the UK, for the benefit of consumers. Under section 5 of the Enterprise Act 2002 the CMA has a general power to carry out research into matters relating to its functions. This includes a ‘market study’. A market study can result in recommendations encouraging businesses to self-regulate or to the Government to change legislation or public policy. A ‘market investigation’ is a more detailed examination into whether a market is uncompetitive and requires a reference from a sectoral regulator. The benefit of both these mechanisms is a broad ‘health check’ of the market concerned. The CMA has powers under this system to look at how the market is functioning without being constrained by the need to establish a dominance and abuse.

The CMA employs ‘Prioritisation Principles’ to determine which projects and programmes of work to undertake and to make the best use of CMA resources in terms of real outcomes for UK consumers.

The CMA is also responsible for scrutinising mergers and acquisitions above a specified threshold to see if it is likely to lessen competition substantially. If so, it may prohibit the merger or require measures to be undertaken before the merger can take place.

Source: Competition & Markets Authority, *Market Studies and Market Investigations: Supplemental guidance on the CMA’s approach* (July 2017): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624706/cma3-markets-supplemental-guidance-updated-june-2017.pdf [accessed 3 April 2018] and Competition & Markets Authority, *Prioritisation principles for the CMA* (April 2014): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/299784/CMA16.pdf [accessed 3 April 2018]

70. Dr Michael Grenfell, Executive Director for Enforcement at the CMA, told us that his remit was to protect consumers from practices prohibited under competition and consumer protection law, not “to protect one business against another business” or to prevent other social problems, however serious.⁷² The CMA had already been asked to conduct a market study in this area but declined to do so because they had not found any detriment to consumers on preliminary consideration. The CMA’s ability to conduct such a study was limited by the scale of its resources and the need to consider other sectors of the economy. The then Minister of State for Digital, the

⁷¹ Q 80

⁷² Q 118

Rt Hon Matt Hancock MP, said that it was for the CMA to decide how to exercise its powers.⁷³

71. In response, Professor Barwise told us:

“It is very fair to ask the CMA, “Can you please unpack the box and look to see what is going on that is not transparent?”—that includes not transparent to the advertiser. For instance, if rebates are being paid to media agencies that might cause them to invest advertisers’ money in a way that is in the interests of the agency rather than of the advertiser, that seems to be something the CMA should be interested in even though it is not a consumer issue.”⁷⁴

72. Matt Rogerson of Guardian News & Media (GNM) told us that the consumer was also affected because money wasted by an exploited advertiser was passed on to the consumer whom the advertiser was targeting.⁷⁵

73. The CMA shares competence with the European Commission to investigate competition law complaints but larger and more complex cases are reserved for the Commission.⁷⁶ When the UK leaves the EU, the CMA will have responsibility for the oversight of cases that would otherwise be left to the Commission. Dr Grenfell suggested that the Government should provide greater funding to recognise this.⁷⁷

74. Mr Collier thought regulators needed a better understanding of how the sector work. He noted in particular that the stronger data protection rules that will be introduced under the General Data Protection Regulation and the proposed E-Privacy Regulation may reinforce the control that dominant players have with respect to personal data. Regulators needed to look more critically at the takeover of small ad tech companies whose technology might be used in the UK market, even where the companies are bought overseas: “It requires that global awareness of M&A [mergers and acquisitions] and how you can unpick those processes in a local market.”⁷⁸

75. Professor Barwise warned that the digital market posed new problems for regulators: “Not just in the UK but worldwide, regulators are simply not up to speed with handling, for instance, the extent to which big data gives an unfair advantage.”⁷⁹ Dr Grenfell told us that such concerns had been recognised at the CMA, which was establishing an expert data unit to “be ahead of the curve, and understand and appreciate some of the difficult issues that these fastmoving technologies raise.”⁸⁰

76. ***The lack of transparency in the digital media advertising market hinders the ability of advertisers to ascertain whether they receive value for money. This is in part caused by the superfluity of ad tech intermediaries, but Google alone has control at all levels of the market. We recommend that the Competition and Markets Authority***

73 [Q 144](#)

74 [Q 127](#)

75 [Q 90](#)

76 [Q 122](#) (Dr Michael Grenfell). See also Regulation 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty.

77 [Q 122](#)

78 [Q 128](#)

79 [Q 128](#)

80 [Q 116](#)

(CMA) should conduct a market study of digital advertising to investigate whether the market is working fairly for businesses and consumers.

77. *As the UK leaves the EU, we call upon the Government to ensure that the CMA is properly resourced to take on the burden of cases that would otherwise be dealt with by the European Commission.*
78. *Consumers do not pay for free online services, but in exchange they must give up their data. The dominance of Google and Facebook leads us to question whether current competition law is adequate to regulate the 21st century digital economy that is increasingly driven by personal data rather than money. We recommend that the Government should use the Digital Charter to gather evidence on this issue.*

New forms of advertising

79. The rise of online advertising has blurred the distinction between advertising and content, because of phenomena such as social influencer advertising and content marketing.
80. ‘Influencer marketing’ uses people to promote and sell products. The people may be celebrities but increasingly social media personalities are paid to promote products. Such personalities can have large audiences of a specific demographic; the influence of people who appear to be peers is particularly powerful.⁸¹ We heard from one prominent social influencer, Beckii Cruel, who explained that influencer marketing is particularly powerful because “the audience trust what you are saying; they trust that you will promote only things you believe in yourself and would use yourself”.⁸² She conceded, however, many influencers “just do it for the money”.
81. This form of advertising overlaps with ‘content marketing’, whereby brands pay for content of whatever form to engage with consumers.⁸³
82. The Advertising Standards Authority (ASA) told us that its remit covers these and the more established types of advertising.⁸⁴ It has recently sanctioned advertisers and social influencers for failing to signify clearly when content was sponsored. The influencers had tried to signify this by writing “spon” (for “sponsored”) in their content. The ASA has determined that the use of “ad” may be acceptable as shorthand for “advertising” in brief messages across social media.⁸⁵ It has not sought to impose a standard approach, however, as long as advertising is clearly labelled. It encourages advertisers and social influencers to adapt their labelling to the context in order to engage the audience.
83. James Erskine, Founder of Social Circle, an agency for social influencers, told us: “The ASA has a very strict code on what is known as advertorials online. The pages must look different; it must clearly be brought to you by

81 Intellifluence, ‘What Is Influencer Marketing’: <https://blog.intellifluence.com/what-is-influencer-marketing-40549fe706b4> [accessed 3 April 2018]

82 Q 106

83 Content Marketing Association, ‘Why Use Content Marketing?’: <http://the-cma.com/about-us/why-use-content-marketing/> [accessed 3 April 2018]

84 Written evidence from ASA system (ADV0015)

85 Q 107 (Beckii Cruel)

a sponsor, and that must be signposted.”⁸⁶ If the rules are followed, when a brand pays to be in the middle of a video it is required to state “This bit of the video is sponsored”. In Mr Erskine’s view this is stricter than for product placement on television, which requires that a “P” logo is shown at the start of a television programme.

84. Professor Jonathan Hardy of the University of East London said, “Labelling of branded content is inconsistent. Readers and viewers encounter a confusing array of terms. There is evidence of confusion and annoyance, especially when audiences find out only after viewing content that it was sponsored.”⁸⁷ He recommended that there should be more consistent labelling: “There should also be discussion of a mandatory, or voluntary, universal logo, akin to the P sign that is required to alert consumers to the paid presence of brands in UK television production.”
85. On 15 March 2018 the ASA launched a consultation on people’s understanding of labels and other identifiers that are intended to indicate online content is advertising.⁸⁸ The consultation is considering what level and type of commercial influence people expect to be informed about, and how people interpret specific labels.
86. **Many advertisers and content providers flout the rule that online advertising must clearly be labelled as advertising. There is currently no standard way to label advertising, and so even those who comply with the rule are inconsistent in how they do so. At the same time, there is a poor understanding among consumers that much content has been paid for.**
87. *We recommend that the Advertising Standards Authority should create a universal, mandatory logo to signify wherever online content has been sponsored by a brand. It should enforce the use of the logo next to any paid for text or video. Producers of content should continue to engage with their audiences in words to signify when content is sponsored.*

Data protection

88. The advertising industry uses personal data to target audiences and collect marketing information about consumers. As outlined in Box 2 above, businesses can use a variety of technical tools to gather data on individuals, including by tracking them online and as they use connected devices. Recent reports that Cambridge Analytica, a big data analyst, have gained access to the data of millions of Facebook users without their knowledge or consent have highlighted the need for high standards of data protection and robust enforcement.⁸⁹

86 Q 109

87 Written evidence from Professor Jonathan Hardy (ADV0009)

88 ASA, ‘Our call for evidence: recognition and labelling of online ads’, (15 March 2018): <https://www.asa.org.uk/news/our-call-for-evidence-recognition-and-labelling-of-online-ads.html> [accessed 4 April 2018]

89 ‘Revealed: 50 million Facebook profiles harvested for Cambridge Analytica in major data breach’, *The Observer* (18 March 2018): <https://www.theguardian.com/news/2018/mar/17/cambridge-analytica-facebook-influence-us-election> [accessed 3 April 2018]

89. At the same time, the advertising industry relies on the free flow of data. The Internet Advertising Bureau UK told us that this is particularly important for trade with the EU:

“The UK acts as a hub for data used in digital advertising in the EU and therefore the free flow of data between the EU and the UK after the UK exits the EU is crucial so that services can continue to be provided seamlessly across multiple markets.”⁹⁰

90. These data flows are enabled by uniform standards of data protection legislation across the EU. The current UK law is therefore EU-derived. For example, the Data Protection Act 1998 is based on the EU Data Protection Directive. This directive will be superseded on 25 May 2018 by the General Data Protection Regulation (GDPR) whose provisions the Government intends to implement through the current Data Protection Bill.⁹¹
91. Personal data may not be transferred from the EU to third countries except where specific limited conditions apply unless the European Commission recognises that a third country provides an ‘adequate’ level of data protection. The Court of Justice of the European Union has determined that the test for adequacy is that the data protection standards in the third country are “essentially equivalent” to those applied in the EU.⁹²
92. Witnesses were concerned that without an adequacy decision the UK’s advertising industry would be severely undermined. Phil Smith of ISBA said, “Over half of UK trade internationally is deemed to be digitally enabled, and we think the impact would be catastrophic if there was not equivalency from day one.”⁹³
93. In August 2017 the Government stated that it was its objective that early in the Brexit negotiations process the UK and EU should “mutually recognise each other’s data protection frameworks as a basis for the continued free flows of data”.⁹⁴ In oral evidence, the then Minister of State for Digital, Matt Hancock MP, told us that progress had not been made as the EU had not set out its negotiating mandate. Nonetheless, Mr Hancock confirmed that it was the Government’s goal “to maintain unhindered free flows of data post Brexit”:
- “We are seeking an adequacy arrangement with the EU or something better than that ... I am confident that we will be able to get an arrangement for the unhindered free flow of data because not only is it very good for us, it is very good for the European Union.”⁹⁵
94. Some witnesses were concerned that, while the UK would be required to maintain ‘alignment’ with EU data protection legislation, it would lose influence in making that legislation. For example, there were already signs that the UK was losing its ability to influence the creation of new EU

90 Written evidence from International Advertising Bureau UK ([ADV0022](#))

91 [Q 145](#) (Matt Hancock MP)

92 *Maximillian Schrems v Data Protection Commissioner* (2015) [C-362/14](#)

93 [Q 79](#)

94 Department for Exiting the European Union, ‘The exchange and protection of personal data - a future partnership paper’: <https://www.gov.uk/government/publications/the-exchange-and-protection-of-personal-data-a-future-partnership-paper> [accessed 3 April 2018]

95 [Q 145](#)

legislation such as the proposed ePrivacy Regulation, which if adopted in its current form will restrict the use of cookies.⁹⁶

95. The Information Commissioner's Office (ICO) is the UK's independent data protection authority in the UK with responsibility for the Data Protection Act 1998 and implementing the GDPR.⁹⁷ ISBA has urged the Government to ensure that the ICO has a seat on the European Data Protection Board (EDPB) after Brexit.⁹⁸ The EDPB was established under the GDPR and will be formed of the European Data Protection Supervisor and the head of each data protection authority from each EU member state (such as the ICO in the UK). When the GDPR takes effect it will help ensure that data protection law is applied consistently across the EU and to ensure cooperation among the data protection authorities.
96. *As we await the implementation of the General Data Protection Regulation, we remain concerned that many businesses exploit users' data without informed consent. Nonetheless the ability to transfer data to and from the EU is essential for the advertising industry. We recommend that the Government should ensure that the UK maintains regulatory alignment with the EU on data protection. We are concerned that Brexit will cause the UK to lose its influence in setting EU rules for data protection which the UK is likely to remain aligned with post-Brexit. We recommend that the Information Commissioner's Office has a position on the European Data Protection Board.*

96 [Q 79](#) (Phil Smith) and written evidence from Direct Marketing Association UK ([ADV0021](#))

97 [Q 115](#) (Steve Wood)

98 [Q 79](#) (Phil Smith)

CHAPTER 3: WORKFORCE

Introduction

97. In this Chapter we explore the nature of the workforce sustaining the advertising industry and the skillsets that it requires. The industry is highly diffuse: across the different sectors of the market a variety of business models are used in advertising. Roles include creative, accounts, business strategy, technology and analytics. We examine the skills needed for this industry and where there are possible skills gaps.⁹⁹ In order to succeed, the industry must recruit from a broad talent pool and be open to people from different backgrounds. We therefore consider how the industry can improve the diversity of its workforce. We consider the international workforce in further detail in the final Chapter.
98. Although a few conglomerates dominate the industry, the majority of businesses are SMEs and a large portion of the workforce are freelancers.¹⁰⁰ The7stars, a media agency, explained that freelancing was a “natural bedfellow” with creative and media businesses: “There’s a growth in the role of agency as a ‘little black book’ of freelance talent who call in specific skillsets or vertical experience for a client brief.”¹⁰¹
99. Advertising tends to benefit from, and contribute towards business clusters (see Box 5). Nearly 50% of advertising businesses are based in London. Other significant hubs include Bristol, Birmingham, Edinburgh, Glasgow, Newcastle and Manchester, which is the largest outside London.¹⁰² Within these hubs, advertising plays a special role in supporting and being supported by other industries. Stephen Woodford of the Advertising Association explained:

“Around advertising you will find technology people, web design people, photographers and film-makers, and so on and so forth. It tends to have an ecosystem around it that supports a much broader breadth of the creative industries.”¹⁰³

Box 5: Business clusters

“There is no single agreed definition of a cluster. However, clusters are usually seen as the intersection of place and sectors, connecting high concentrations of firms, institutions (e.g. [higher education institutions], cultural institutions, trade associations, government bodies) and supply chains to one another through a cohesive place-based ecosystem. They have a key role to play in fostering agglomeration effects, supporting emerging innovations and attracting investment and talent to drive self-sustaining local productivity improvements. Innovative and knowledge-rich industries like biotech, digital, financial services and automotive tend to succeed when they concentrate in certain places.”

Source: Written evidence from HM Government ([ADV0016](#))

99 Skills and education are devolved matters. This Chapter therefore applies to England only.

100 Written evidence from the Ideas Foundation ([ADV0037](#))

101 Written evidence from the7stars media agency ([ADV0006](#))

102 [Q 27](#) (Paul Bainsfair)

103 [Q 4](#)

Skills for advertising

100. Many of the skills required in the advertising industry span the creative sector. The traditional advertising skills of copywriting, media buying and art and design have now been supplemented by an array of digital skills and data analytics (see Box 6).¹⁰⁴

Box 6: Advertising skillsets

Creative: copywriting, art direction, graphic design, content creation and web design.

Media strategy and delivery: media planning and buying and search engine optimisation.

Market Research: consumer research and behavioural analytics.

Client service: team management and leadership, account management, project management and social media communications

Digital: software and system development, statistical analysis and database management

Source: Written evidence from the Advertising Association (ADV0019)

101. There is currently a general concern that there is a shortage of Science, Technology, Engineering and Mathematics (**STEM**) skills. The Government's White Paper *Industrial Strategy: Building a Britain fit for the future* stated that these "skills are important for a range of industries from manufacturing to the arts". Noting that 40% of employers had reported a STEM-graduate shortage, the Government said that it would invest a further £406 million in maths, digital and technical education in England to address the shortage of STEM skills amongst the workforce.¹⁰⁵
102. The majority of our witnesses, however, agreed with the analysis of the Institute of Practitioners in Advertising that, in the future, the advertising industry will need "**STEAM** graduates: science, tech, engineering, arts and maths".¹⁰⁶ This does not mean that the industry requires a mix of individuals with STEM skillsets and of individuals with arts skillsets, but rather individuals who have a mix of these skillsets.
103. Leo Rayman, Chief Executive Officer of Grey Advertising London, said that the "emergent skills gap now, and therefore tomorrow, is specifically in the blend between these creative skills and computer science".¹⁰⁷ James Murphy, Chief Executive Officer of adam&eveDDB, elaborated further:

"The new generation of people in our industry are required to be much more multi-faceted because they are trying to blend strategic, creative and reductive communication skills with an understanding of technology and technical channels that was not required before".¹⁰⁸

¹⁰⁴ Skills and education are devolved matters. This Chapter only applies to England.

¹⁰⁵ Department for Business, Energy and Industrial Strategy, *Industrial Strategy: Building a Britain fit for the future*, Cm 9528, November 2017: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

¹⁰⁶ Written evidence from the IPA (ADV0023)

¹⁰⁷ Q 42

¹⁰⁸ Q 43

104. The Government recognised this need for a mixed skillset in their written evidence:

“Successive reports from Brighton Fuse and Nesta have highlighted the importance of combining arts and science (i.e. STEAM) skills to drive forward the sector and wider economy. The skillset of the advertising industry is especially diverse, and ranges from creative skills—copywriting, art direction—to digital skills—prototyping and graphic design—to analytical skills such as behavioural science”.¹⁰⁹

105. The English education system, however, encourages young people to specialise much earlier than other nations such as Scotland. In England, students traditionally study three A levels over two years. By comparison, in Scotland, students generally take 4 or 5 Highers over one year with the option of additional Highers being taken in their final school year. The emphasis on specialisation in England continues into the degrees offered by universities.

Digital skills gap

106. The rapid advancement and evolution of online advertising has resulted in an ongoing unsatisfied demand for digital skills.¹¹⁰ James Murphy explained that the “people we need for the evolving part of what we do, which is in digital technologies, ad tech and data, are in incredibly short supply”.¹¹¹ Mr Murphy also told us that advertising had to compete with other industries that could pay more for this limited supply.
107. Many witnesses said that the digital skills gap should be addressed in schools. Mediacom told us that “the Government needs to look at school curriculum and support the next generation of employees who will be working in the digital world and ensure they are fluent and capable”.¹¹²
108. The Minister of State for Apprenticeships and Skills, the Rt Hon Anne Milton MP, told us that the “National College for Digital Skills is already up and running” and the Government’s approach is about “making sure that we grow the sort of skills in this country that make us the best in some areas that we have otherwise neglected”.¹¹³ Ms Milton also told us that the Government had invested in computer sciences in schools and to increase the take-up of STEM A-levels.

Arts subjects

109. In part as a result of the Government’s efforts to increase the take-up of STEM subjects, some witnesses felt that the arts were being neglected in schools. Nigel Moore, Production Director at Fuzzy Duck Creative, said that “from an education point of view it feels as though there has been a stepping back from creativity and more of a push towards the traditional core subjects”.¹¹⁴
110. The English Baccalaureate (Ebacc) was introduced in 2010 as a measure of school performance based on the performance of pupils at GCSE level in English, maths, history or geography, science and foreign languages.

109 Written evidence from HM Government ([ADV0016](#))

110 [Q 32](#) (Alex Lubar)

111 [Q 45](#)

112 Written evidence from Mediacom ([ADV0004](#))

113 [Q 145](#)

114 [Q 173](#)

According to the Ideas Foundation, there has been “a reduction in time for creative and arts subjects” since its introduction.¹¹⁵ This corroborates evidence we heard in our inquiry on skills for the theatre industry. For example, one witness told us that arts subjects such as drama were being “squeezed out in a lot of schools by a narrow focus on attainment and the understandable anxiety about league tables”.¹¹⁶ The Education Policy Institute report stated that some “19,000 fewer pupils took arts subjects at key stage four [in 2016] compared with in 2014”.¹¹⁷

111. **The advertising industry, like other creative industries, requires workers with a fusion of artistic and science (STEAM) skills who can use digital skills creatively. Unfortunately, the education system encourages children to specialise in either arts or science subjects.**
112. **There is a shortage of individuals with the requisite digital skills and the industry must compete for these with other sectors. We welcome steps taken by the Government to improve this. We are concerned, however, that in its efforts to promote these subjects, arts have been side-lined in the curriculum and in measurements of school attainment such as the English Baccalaureate.**
113. *We recommend that the Government undertake a review of skills needed by the future economy and whether the education system reflects the needs of growing sectors, such as advertising and the creative industries. This will be increasingly important in the face of rising automation. In particular, the Government should review whether it is still appropriate for young people to specialise in either arts or science subjects at an early stage. Subjects should be introduced that blend arts and sciences for this fusion of skills is essential for the economy.*
114. *We recommend that the English Baccalaureate must include the measurement of one arts subject. This will ensure that the arts are properly recognised both by schools and the school league tables.*

The role of universities

115. Universities provide the entry route for 70% of those who work in the advertising industry, and some businesses exclusively employ graduates.¹¹⁸ But many of these graduates have not studied a relevant course. Pulse Films, a production company, told us that they were not aware of “a single individual working within advertising who studied marketing or advertising. Most tend to come from humanities courses or from film making backgrounds or simply stumble into advertising as a nonconscious decision.”¹¹⁹
116. Some of our witnesses were critical of advertising courses at universities. Stephen Woodford told us that “there are lots of marketing and advertising courses out there. Some are very good. The quality is variable”.¹²⁰ Pulse

115 Written evidence from the Ideas Foundation (ADV0037)

116 Select Committee on Communication, *Skills for Theatre: Developing the Pipeline of Talent*, (3rd Report, Session 2016–17, HL Paper 170)

117 Education Policy Institute, ‘Entries to arts subjects In Key Stage 4’: <https://epi.org.uk/publications-and-research/entries-arts-subjects-key-stage-4/> [accessed 3 April 2018]

118 Written evidence from HM Government (ADV0016) and see Q 53 (Tobin Ireland).

119 Written evidence from Pulse Films (ADV0003)

120 Q 7

Films explained that “as with most non-vocational higher education programmes, there is a clear disconnect between the commercial and technical requirements of students entering the advertising industry and the subject matter taught on courses”.¹²¹

117. James Murphy, Chief Executive Officer of adam&eveDDB, noted of current higher education vocational courses that “some of the things learned on those courses did not feel relevant to a business that is not terribly theoretical in the way that it works”.¹²² The Direct Marketing Association (DMA) thought there was a “lack of industry experience and awareness in universities”.¹²³
118. Professor Douglas West of King’s College London acknowledged that universities are “on the back foot, in that industry reacts much more quickly than we can react”.¹²⁴ This was because universities have to take some three years to plan, market and launch courses.¹²⁵ Kate Burnett, Managing Director of DMA Talent, agreed: “It is very difficult, if you are in full-time education, to stay on top of the latest thing that is happening in mobile marketing or social media”.¹²⁶
119. The News Media Association told us that the increased availability of work-based placements would remedy graduates’ lack of creative and technical skills and “involve closer collaboration between higher education institutions and employers”.¹²⁷
120. Some of the witnesses praised existing collaboration between universities and the industry. The7stars media agency said that “many universities ... push for students to study a sandwich course in order to gain that relevant knowledge. During this sandwich year, students can really get to grips with the technical side of the job”.¹²⁸
121. Kate Burnett stated that the DMA has an “accreditation programme whereby we set a syllabus that the university can follow ... which covers all the major areas somebody working a junior [digital] marketing role would want to learn”.¹²⁹
122. We heard that some advertising companies were actively working with the education sector to ensure that students are provided with the necessary blend of skills. We heard that Framestore, a company that specialises in special effects, had a partnership with the Arts University Bournemouth to create post-graduate courses in the visual arts. Sir Martin Sorrell, Chief Executive of WPP, told us that WPP runs technical colleges in China, India and South Africa but none in the UK¹³⁰ while the7stars, a media agency, runs a university outreach programme in the UK. Although there are positive examples of industry and education partnerships, the Advertising Association stated that “closer relationships between the industry and university/college

121 Written evidence from Pulse Films ([ADV0003](#))

122 [Q 43](#)

123 Written evidence from Direct Marketing Association ([ADV0021](#))

124 [Q 9](#)

125 [Q 9](#) (Professor West)

126 [Q 24](#)

127 Written evidence from News Media Association ([ADV0011](#))

128 Written evidence from the7stars media agency ([ADV0006](#))

129 [Q 20](#)

130 [Q 62](#)

marketing courses should be encouraged so that we foster the right skill-sets and combine practical knowledge with academic knowledge”.¹³¹

123. Some witnesses commented that the mission of universities is broader than creating tomorrow’s workers. Professor Jonathan Hardy at the University of East London said that the “role of higher education provision across media and marketing communications is not to be a service provider for ‘industry’”.¹³² It was incumbent on universities to “open all routes to students to relevant careers across relevant ‘industries’ (plural), meaning all relevant sectors”.¹³³
124. Professor Sean Nixon thought universities should provide students with a wider perspective on values and ethics:

“Someone has to decide what data to capture through the design of algorithms and this need to be informed by a debate about values and ethics. Similarly for the advertising industry, social responsibility needs to be woven into the kind of data they buy or generate and what they do with it”.¹³⁴

125. **The advertising industry’s requirements of the UK’s higher education system are rapidly changing whilst the industry’s traditional source of new entrants—universities—struggle to keep pace.**
126. *We recommend that universities and the advertising industry work more closely with one another to create focused training and strong local connections. There are a number of examples of good practice in this regard but many university courses are disconnected from the needs of industry.*

Diversity

127. Having a diverse workforce that reflects the various demographics of the UK, including ethnicity, gender, class and disability, is essential if advertisers are to understand better the consumers their clients wish to influence and with whom they need to communicate. These demographics also need to be reflected in advertising, for example onscreen. Advertisers’ understanding and respect for all those with whom they seek to communicate is essential to the reputation of the industry and the trust that audiences have in it.
128. In common with other creative industries, as we found in our report *Skills for Theatre: Developing the Pipeline of Talent*, many of our witnesses thought more diversity was needed in the advertising industry. Alex Lubar of McCann London said:
- “We get the greatest amount of creative output of the highest quality when we have a convergence of many different types of talent whether that is a mixture of international talent, of cultural talent or of individuals with different socioeconomic backgrounds. It is that melting pot that creates the greatest possible output”.¹³⁵
129. Professor Sean Nixon stated that “The overrepresentation of public school and elite-university-educated white men and women does not help the

131 Written evidence from the Advertising Association ([ADV0019](#))

132 Written evidence from Professor Jonathan Hardy ([ADV0009](#))

133 *Ibid.*

134 Written evidence from Professor Sean Nixon ([ADV0005](#))

135 [Q 31](#)

industry to speak to many of its key markets. Whilst recruitment needs to be based on merit, the industry ought to be more proactive in broadening its social composition”.¹³⁶

130. Black, Asian and Minority Ethnic (BAME) employees make up some 13% of the advertising industry workforce which is slightly higher than their representation in the UK-wide population.¹³⁷ However, the Ideas Foundation said that “given the London-centric current nature of creative agencies there should be 17.8% BAME employees”.¹³⁸
131. Leo Rayman of Grey Advertising London said that the advertising industry “sounds a bit perhaps like a middle-class white person’s game”.¹³⁹ Mr Rayman told us that there are a number of barriers to diversity to the industry. Under-represented communities are often not familiar with the opportunities on offer from the industry or look down on advertising as a career in favour of more traditional professional career paths such as medicine.¹⁴⁰
132. In order to overcome prejudice against the industry, Mr Rayman said that Grey Advertising London was conducting a diversity audit of what they produce onscreen as well as their production workforce.
133. Attitude barriers may be due to the industry’s lack of senior BAME role models.¹⁴¹ Mr Rayman highlighted that careers of BAME staff can plateau in the industry as they lack the advice networks to navigate their way into senior positions. BAME staff make up only 9% of the senior level workforce in the industry although this is higher than the FTSE 100 company average of 3.5%.¹⁴²
134. With regard to gender, the Ideas Foundation stated that there is a near 50:50 gender split in creative agencies but “women are under-represented in creative and technical positions, and are also under-represented in senior management positions”.¹⁴³
135. Class is perhaps the biggest barrier to the industry with 92% of advertising industry employees from a “more advantaged background”.¹⁴⁴ This compares to 54% of households which fell within the category ABC1 (non-manual) in a 2015 survey.¹⁴⁵
136. With regards to the disabled community, Mars UK in 2016 ran a successful advertising campaign which featured people with disabilities. One of the world’s leading advertisers Procter & Gamble has taken positive steps to make sure that most of its advertisements are accessible to blind people through

136 Written evidence from Professor Sean Nixon ([ADV0005](#))

137 ‘People from ethnic minorities still facing major jobs gap in UK’, *The Guardian*, (7 October 2017): <https://www.theguardian.com/world/2017/oct/07/ethnic-minorities-jobs-gap-bame-degrees> [accessed 13 March 2018]

138 Written evidence from the Ideas Foundation ([ADV0037](#))

139 [Q 44](#)

140 [Q 44](#)

141 [Q 44](#) (Leo Rayman)

142 Written evidence from the Ideas Foundation ([ADV0037](#)) and [Q 5](#) (Stephen Woodford)

143 Written evidence from the Ideas Foundation ([ADV0037](#))

144 *Ibid.*

145 ‘UK became more middle class than working class in 2000, data shows’, *The Guardian* (26 February 2016): <https://www.theguardian.com/news/datablog/2016/feb/26/uk-more-middle-class-than-working-class-2000-data> [accessed 30 January 2018]

the addition of audio descriptions.¹⁴⁶ Stephen Woodford of the Advertising Association said that on disability “we have a long way to go, but we have made some great strides in recent years”.¹⁴⁷

Recruitment practices

137. A number of witnesses told us that the lack of diversity can be attributed to the reliance of the advertising industry on informal recruitment networks. Nicky Unsworth, Chief Executive Officer of BJL, said that “lots of youngsters coming into our industry tend to know people like us or their parents”.¹⁴⁸ By contrast, “working class BAME students often lack access to the networks through which ... opportunities arise”.¹⁴⁹
138. In 2014 a Creative Skillset Workforce survey found that, across the creative industries, 56% of respondents had found their job through informal recruitment methods whilst 48% had done unpaid work at some point in their career.¹⁵⁰
139. Another factor inhibiting diversity is the industry’s use of unpaid work experience placements. Chief Executive of Grey Advertising London Leo Rayman said that the “work experience system [has] historically favoured kids with middle-class parents who can provide funding for them to live in London and float around various companies like ours until they find an in”.¹⁵¹ Dr Jane Tonge of Manchester Metropolitan University commented that there was an industry “expectation that people can afford it”. While potential entrants can bear the cost of unpaid internships for a month at most, they “cannot work for free for a long time, because they do not have the financial resources. They need to pay their rent”.¹⁵²
140. The Sutton Trust estimated that a month’s unpaid internship in London costs a minimum of £1,019 excluding travel expenses. In Manchester, the equivalent cost is £827.¹⁵³ Professor Jonathan Hardy of University of East London, stated that “The internship economy can be both exploitative for those within it and highly exclusionary in its mechanisms and operation”.¹⁵⁴ Manchester Metropolitan student Farah Bahsoon told us that “I did five internships while I was doing my master’s, and I got no pay at all. I know that has changed: there are now placement opportunities through university.”¹⁵⁵ Paul Bainsfair of the IPA said the industry had realised that unpaid work placements are “just not acceptable and people are being much more responsible now about making sure that these placements, as they are called,

146 Marketing Week, *Why are brands failing to market to deaf and blind consumers?*, (31 October 2017), <https://www.marketingweek.com/2017/10/31/marketing-to-deaf-and-blind-consumers/> [accessed 6 March 2018]

147 Q 5

148 Q 172

149 Written evidence from Professor Jonathan Hardy (ADV0009)

150 Creative Skillset, *The Creative Media Workforce Survey 2014 – Summary Report*, (May 2015) https://creativeskillset.org/assets/0001/0465/Creative_Skillset_Creative_Media_Workforce_Survey_2014.pdf [accessed 3 April 2018]

151 Q 44

152 Q 157 (Dr Jane Tonge)

153 The Sutton Trust, *Internships - Unpaid, unadvertised, unfair* (20 January 2018): <https://www.suttontrust.com/wp-content/uploads/2018/01/Internships-2018-briefing.pdf> [accessed 3 April 2018]

154 Written evidence from Professor Jonathan Hardy (ADV0009)

155 Q 166

do get paid for their efforts”.¹⁵⁶ Mr Rayman stated that diversity can only be achieved by paying prospective entrants a living London wage.¹⁵⁷

141. There are signs of some commitment by industry and the Government to improve recruitments processes. For example, Leo Rayman stated that “we have been working quite hard on our application process to remove both names and academic background from the CV to enable a broader range of people to come into the industry”.¹⁵⁸
142. Mr Rayman told us that apprenticeships “assist us with the diversity challenge”.¹⁵⁹ Mr Rayman noted that his company Grey Advertising London is developing an ambassador panel who can go out and “speak on behalf of an association, the IPA or individual companies”.¹⁶⁰ Grey Advertising London has also convened a cross-agency taskforce in order to share diversity best practice ideas.
143. The Minister of State for Apprenticeships and Skills, the Rt Hon Anne Milton MP, stated in regard to people from BAME backgrounds, “we have specific targets on ensuring participation in apprenticeships by people from those backgrounds in particular”.¹⁶¹ The then Minister of State for Digital, the Rt Hon Matt Hancock MP, said that “effort is needed from the whole industry—we support it but cannot do it on our own—to ensure that everybody gets the opportunity to take these jobs”.¹⁶²
144. **Individuals from all communities and backgrounds should have access to employment in the creative sector. Improvement in diversity will also allow the advertising industry to access a larger talent pool which better reflects the advertisers’ audiences and will help them understand their audiences better. However, industries that fail to provide clear and fair recruitment routes deter entrants from disadvantaged socio-economic groups and members of the Black, Asian and Minority Ethnic (BAME) community.**
145. *We recognise that the advertising industry has taken effective measures to improve diversity and to ensure that individuals of different ability, gender, ethnicity and class are properly represented in the industry’s workforce and ‘onscreen’. We recommend that in developing new routes to entry and when recruiting people from a range of backgrounds, the industry takes care to avoid its employees believing career progress requires compliance with industry stereotypes.*
146. *We recommend that the industry should continue to show leadership and improve representation at senior levels. This is critical to embedding throughout the industry recognition that—as its business is to understand and influence citizens of all kinds—there are no barriers to success for people of all kinds. We therefore recommend that barriers to entering the industry such as informal recruitment procedures need to be removed. The Government should*

156 [Q 28](#)

157 [Q 44](#)

158 [Q 43](#)

159 [Q 43](#)

160 [Q 44](#)

161 [Q 141](#)

162 [Q 141](#)

clarify, if necessary through legislation, that all internships and work experience programmes of more than four weeks should be remunerated and Her Majesty's Revenue and Customs should take enforcement action against non-compliant businesses. The industry should develop and implement best practice such as 'CV-blind' recruitment processes, and encourage outreach and mentoring programmes.

Careers advice

147. Lack of awareness of the opportunities for careers in advertising on the part of children and their parents present a significant barrier to entering the industry. Many children and young people do not know what the advertising industry entails and the diverse range of roles that are on offer from the advertising sector. Belinda Peach, Director at Peachy, a digital agency and training consultancy, told us that the problem is “awareness for the parents, the teachers and the students. It is still a grey area, and they do not understand what is available.”¹⁶³
148. Paul Bainsfair said that the Institute of Practitioners in Advertising (IPA) were “surprised to find schools one mile from Soho where none of the pupils had even thought of a career in advertising. It just was not on their wish list or, indeed, had never even occurred to them.”¹⁶⁴
149. Christian James, Managing Director of If, told us: “We are still seeing career advisers in school, struggling to articulate, even at a basic level, the opportunities and the rich lifestyle and rich life choice that you can make in this sector”.¹⁶⁵ Nicky Unsworth, Chief Executive Officer of BJL, an advertising agency, stated that advertising is not an “industry that people understand. People understand what doctors and teachers do, but advertising is a little more abstract for many people.”¹⁶⁶
150. Some witnesses said that advertising had a lower status than other careers such as accountancy or law.¹⁶⁷
151. We heard how early intervention, including through careers advice in schools, is important in raising awareness of advertising as a career option.¹⁶⁸
152. According to the Government's Careers Strategy, there is no “consistent approach across primary schools and limited ... best practice for schools to use when planning their activities.”¹⁶⁹ In 2018, the Government will provide £2 million to test new career activity programmes or expand existing programmes in primary schools.¹⁷⁰
153. Some witnesses questioned whether schools have the capacity to offer interactions with employers to their students. Paul Bainsfair stated, “It is

163 [Q 173](#)

164 [Q 20](#) (Paul Bainsfair)

165 [Q 177](#)

166 [Q 172](#)

167 [Q 45](#) (Kate Burnett)

168 Written evidence from the Ideas Foundation ([ADV0037](#))

169 Department for Education, *Careers strategy: making the most of everyone's skills and talents* (December 2017): https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664319/Careers_strategy.pdf [accessed 3 April 2018]

170 Ibid.

quite noticeable how crammed the teacher's day is and how hard they find it to create time just to get someone from the outside to come and talk".¹⁷¹

154. The Government observed that "students from disadvantaged groups, and those who are unsure of their aspirations, have been shown to be the least likely to receive careers guidance ... this is particularly important for children from disadvantaged backgrounds who may lack a diversity of role models with experiences of different jobs and careers."¹⁷² Research from the Education and Employers Taskforce found that a young person who has "four or more encounters with an employer is 86% less likely to be unemployed or not in education or training and can earn up to 22% more during their careers".¹⁷³
155. Ms Milton told us that "successive Governments have tried, with the best possible intentions, to make careers [strategies] work in schools, but they have failed".¹⁷⁴
156. In 2014 the Government established the Careers and Enterprise Company (CEC) to provide strategic co-ordination between employers, schools and colleges.¹⁷⁵ The CEC has invested over £10 million in careers interventions which were focused on areas of the country that the report described as "most in need of support." Around 250,000 young people have received help through this funding. Ms Milton noted that the CEC was working "in half of all schools and we would like to see it rolled out across the country."¹⁷⁶ The CEC will launch a new investment fund of £5 million by September 2018 to provide mentoring and guidance to the most disadvantaged pupils.¹⁷⁷ The Creative Industries Sector deal includes a creative industry-led careers programme which is intended to reach at least 2,000 schools and 600,000 pupils over 2 years.
157. The Government's Careers Strategy said that before the end of 2020 "schools should offer every young person seven encounters with employers—at least one each year from years 7 to 13—with support from the CEC".¹⁷⁸
158. **Professional careers advice is crucial to ensuring that the advertising industry has access to a diverse talent pool, including young people with digital skills. Comprehensive careers advice and employer interactions should start in every primary school and continue throughout pupils' school careers. This will ensure that children and young people are fully aware of the range of advertising and creative industry roles available to them. We welcome the Government's commitment to providing resources for careers advice at all levels of education.**
159. *We recommend that the Government must provide more resources to deliver sufficient careers advice and employer interactions for all communities throughout the UK. The Government must also*

171 Q 25

172 Department for Education, *Careers strategy: making the most of everyone's skills and talents*

173 *Ibid.*

174 Q 141

175 Department for Education, *Careers strategy: making the most of everyone's skills and talents*

176 Q 141

177 Department for Business, Energy & Industrial Strategy, *Building our Industrial Strategy: Green Paper* (January 2017): <https://beis.gov.uk/citizenspace.com/strategy/industrial-strategy/supporting-documents/buildingourindustrialstrategygreenpaper.pdf> [accessed 6 September 2017]

178 Department for Education, *Careers strategy: making the most of everyone's skills and talents*

provide more resources to ensure greater employer interactions with primary school pupils and young people who have not yet chosen their GCSEs. In return, the industry should step up its campaigning efforts to promote advertising as a career to communities around the UK. The advertising industry must also provide more learning tools to schools with a view to introducing pupils, parents and teachers to the roles available in the industry. This learning provision should be supplemented with more visits to schools by advertising practitioners.

160. *We recognise that there are great time pressures on school timetables. We recommend that the Government should encourage schools to make time for employers to interact with children by taking account of such interaction activities when measuring school performance.*
161. *We recommend that universities careers services should promote the opportunities offered by the advertising industry to digital and data students.*

Apprenticeships

162. Many witnesses welcomed the principle of apprenticeships as a means to widen the industry's talent pool. James Murphy, Chief Executive of adam&eveDDB, observed that the advertising industry has "defaulted to two streams of people coming in, one of which is the very classical, high-quality academic background, a small number of universities and ... work experience on the other hand." Mr Murphy further explained that work experience "favours people with contacts, so one of the things we hope to get from the apprenticeship scheme is that we will draw on a much wider and much healthier gene pool ultimately".¹⁷⁹
163. Sir Martin Sorrell, Chief Executive of WPP, thought that university education has a "cachet or a premium attached to it".¹⁸⁰ Sir Martin pointed to Germany where "an apprenticeship programme in engineering or whatever it happens to be is not looked down on or regarded in a different light from a university education". He noted that in the UK higher education system, that the "practical application of the education we receive may not be as strong".¹⁸¹

Apprenticeship levy

164. Since 6 April 2017, the Government's apprenticeship levy guidelines require companies in England with a pay bill of over £3 million to pay to Her Majesty's Revenue & Customs 0.5% of their wage bill toward the levy.¹⁸² The revenue plus a contribution from the Government goes into the employer's apprenticeship service account. Box 7 explains how funds raised by the apprenticeship levy are used.

¹⁷⁹ Q 43

¹⁸⁰ Q 67

¹⁸¹ Q 67

¹⁸² Department for Education, *Apprenticeship funding: how it works*: <https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work> [accessed 5 February 2018]

Box 7: Apprenticeship levy

Employers in England that come under the scope of the apprenticeship levy are required to register for a digital apprenticeship service account. The Government will add a 10% top up to the employer's service account funds.

Non-levy paying employers must pay 10% of apprenticeship training costs. The Government will meet the remaining 90% of the cost.

Funds in the apprenticeship service account go towards training and assessment costs. The funds cannot be used to pay apprentices wages, travel costs, on-the-job-training programmes, work placement programmes or the cost of setting up an apprenticeship programme.

Employers can only train their apprentices using training providers who are registered with the Office for Standards in Education, Children's Services and Skills (Ofsted). Employers can be their own training provider if registered with Ofsted.

Unused funds in the apprenticeship service account expire after 2 years. From April 2018, employers will be able to share up to 10% of their levy funds with other organisations.

There are currently two routes for apprenticeship training:

Apprenticeship standards are set by employer trailblazing groups and cover the core skills, knowledge and behaviours an apprentice will need for a specific occupation.

Apprenticeship frameworks are work-related vocational or professional qualifications that have both work and classroom based training. All frameworks should be replaced by standards by 2020.

Source: 'How will the apprenticeship levy work?', *The Telegraph*, (25 October 2016): <http://www.telegraph.co.uk/education/2016/10/25/how-will-the-apprenticeship-levy-work/> [accessed 15 February 2018], 'The Apprenticeship Levy: the ultimate guide for employers', *The Telegraph*, (5 May 2017): <http://www.telegraph.co.uk/education/stem-awards/energy/apprenticeship-levy-employer-guide/> [accessed 15 February 2018], 'Spotlight—Skills and Apprenticeships, How the apprenticeship levy works', *The New Statesman* (6 March 2018) [accessed 7 March 2018], *The Institute of Apprenticeships*, 'Apprenticeship frameworks and standards: the main differences' (1 August 2017) <https://apprenticeships.blog.gov.uk/2017/08/01/apprenticeship-frameworks-and-standards-the-main-differences/> [accessed 22 March 2018]

165. The Minister of State for Apprenticeships and Skills, the Rt Hon Anne Milton MP told us the advantage of the Government's apprenticeship scheme was that it was employer-led:

"Employers are the ones who decide what standards they need and what skill shortages they have. We need to make sure that we have the infrastructure to back up what they want to do so that they can make the best use of their levy."¹⁸³

166. Kate Burnett of DMA Talent thought that the "levy is a good idea in principle because it forces apprenticeships on to the agenda of businesses that perhaps would not have thought about it before".¹⁸⁴ Ms Milton said that the levy has "kick-started business and public-sector employers into realising that they cannot sit back and say, "We have a skill shortage"; they have to do something about it".¹⁸⁵

183 [Q 142](#)

184 [Q 26](#)

185 [Q 142](#)

167. Several witnesses were concerned, however, that the apprenticeship scheme does not work well for SMEs. Belinda Peach, Director at the Peachy agency, said that the problem with apprenticeship levy is how it will work in practice for smaller employers who comprise most of the industry.¹⁸⁶
168. Tobin Ireland, Chief Executive Officer at Smartpipe Solutions agreed: “You do not have time to train people and make sure you are crafting a programme for them”.¹⁸⁷ The Commercial Broadcasters Association recommended that “the current apprenticeship scheme needs to be more flexible so that people on short-term contracts, which are common in the creative sector, can benefit”.¹⁸⁸

Training standards

169. The rapid change experienced by the advertising industry makes it hard to set apprenticeship standards for the industry. Kate Burnett of DMA Talent said that those standards which do exist are not specific enough for their designated jobs and are soon out of date.¹⁸⁹
170. Paul Bainsfair, Director General, Institute of Practitioners in Advertising (IPA), said that the apprenticeship levy “feels like design by committee”.¹⁹⁰ Of the approved apprenticeships which were eligible for the scheme, Mr Bainsfair did not believe that “many fit our industry. There are one or two that might, but they do not exactly”.¹⁹¹
171. The IPA stated that the Government body which approves apprenticeship standards, the Institute for Apprenticeships (IFA) which was established in April 2017 takes “two years to approve an industry standard. Our industry will not have a standard until 2019”.¹⁹² The Minister of State for Apprenticeships and Skills, the Rt Hon Ann Milton MP stated that 300 standards were awaiting approval.¹⁹³

Impact of levy costs

172. Several witnesses were concerned that the Government’s apprenticeship levy would threaten training already offered by the industry.
173. The Institute of Practitioners in Advertising (IPA) stated that their programme for trainees had been developed over the last 30 years but was now under threat due to the impact of the apprenticeship levy on “agency budgets”.¹⁹⁴
174. Kate Burnett noted that the apprenticeship levy scheme was “restrictive in terms of what people can spend that on”.¹⁹⁵ Henry Faure Walker of Newsquest stated that it was disappointing that his company were “unable to offset the levy cost against internal training, because that is much more [fitted to] our needs”.¹⁹⁶ The IPA stated that the levy requires “employers spend a

186 [Q 174](#)

187 [Q 53](#)

188 Written evidence from the Commercial Broadcasters Association ([ADV0027](#))

189 [Q 26](#)

190 *Ibid.*

191 *Ibid.*

192 Written evidence from the Institute of Practitioners in Advertising ([ADV0023](#))

193 [Q 142](#)

194 Written evidence from the Institute of Practitioners in Advertising ([ADV0023](#))

195 [Q 26](#)

196 [Q 96](#)

disproportionate amount of money on training apprenticeships versus other agency employees”.¹⁹⁷

175. The IPA told us that the levy was acting “as an additional tax on business”¹⁹⁸. Sir Martin Sorrell, Chief Executive Officer of WPP, agreed and noted that despite the levy costing WPP millions of pounds “the pure financial benefit we get in making a contribution to an apprenticeship programme is very small”.¹⁹⁹ Sir Martin said that the levy had not led to WPP “building apprenticeship programmes that are of value to us or our industry”.²⁰⁰
176. Several witnesses noted that the cost of the levy put an additional strain on UK businesses. Henry Faure Walker stated that it will cost Newsquest £500,000 in 2018: this was a “significant amount of money for a business that is under some structural pressure”.²⁰¹ Some feared that the cost would force employers to cut jobs. The IPA stated that agencies are taking the levy from the cost of the headcount so the “real impact is a negative one”.²⁰²
177. Paul Bainsfair of the IPA stated that, although the apprenticeship levy was well-intentioned, “I am not sure it is a good fit for our industry”.²⁰³ The IPA reported that only “30% of the available apprenticeship levy has been taken up”.²⁰⁴
178. Some struck a more positive note. Stephen Woodford stated that it was “probably overly cumbersome for an ad agency to set up its own apprenticeship scheme, but we can do these things as an industry”.²⁰⁵
179. The Rt Hon Anne Milton MP told us that she was open to suggestions on how to improve apprenticeships.²⁰⁶ The Minister stated that “the whole change of emphasis on skills is to put employers in the driving seat and make sure that they devise the apprenticeship standards they need to get the right people in the industry”.²⁰⁷
180. The Department for Education announced in January 2018 that the number of people taking up apprenticeships had dropped by some 27% in the first quarter of the 2017/18 academic year when compared to the same period in 2016/17.²⁰⁸
181. **We welcome the willingness of the advertising industry to use apprenticeships to improve diversity. However, the Government’s apprenticeship scheme is not appropriate for the advertising industry or the wider creative sector. It is failing to provide courses of adequate quality. The slowness in approving apprenticeship standards is limiting the scheme’s usefulness. Many small businesses**

197 Written evidence from the Institute of Practitioners in Advertising (ADV0023)

198 Written evidence from the Institute of Practitioners in Advertising (ADV0023)

199 Q 68

200 Q 68

201 Q 96

202 Written evidence from the IPA (ADV0023)

203 Q 26

204 Written evidence from the IPA (ADV0023)

205 Q 7

206 Q 142

207 Q 141

208 Department for Education, *Apprenticeships and Training Press Release*, (25 January 2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675884/SFR_06_2018_quarterly_apprenticeships_and_traineeships.pdf [accessed 5 April 2018]

lack the means to utilise the apprenticeship scheme properly. The inappropriateness of the levy for the creative industries was also noted in our previous report on skills training for the theatre industry.

182. *We recommend that the Government should undertake a comprehensive review of the apprenticeship scheme to ensure that it is suitable for the creative industries. Under the review, the Government should investigate how the period for the approval of training standards could be reduced and whether small advertising businesses could pool resources into a shared apprenticeship levy account.*

CHAPTER 4: ACCESS TO INTERNATIONAL TALENT

Advertising's international reach

183. In the previous Chapter we considered how the workforce within the UK can be developed so that it works better for the advertising industry. This requires action on the part of the Government and the industry. In this final Chapter we explore in further detail the international nature of the UK advertising industry and the international workers who are an essential part of it.
184. The UK, especially London, is a global centre of international advertising. It attracts talent from around the world. James Murphy, Chief Executive of adam&eveDDB, said:
- “There are two centres for advertising in the world, one of which is New York and the other is the UK, particularly London, but the difference is that London is a global hub, whereas New York is a hub for North America much more than it is an international hub. We are undoubtedly the most powerful global hub in marketing services”.²⁰⁹
185. The Government stated that London is “the centre for European and EMEA [Europe, Middle East and Africa] and global advertising ... More than 75% of the UK advertising industry services international clients.”²¹⁰
186. Katharine Newby Grant, Associate Director of Media for Northern Europe at Procter & Gamble, said that the UK has some of the “best creative talent in the world and a real diversity of talent.”²¹¹ Stephen Woodford of the Advertising Association stated that “the UK is very, very good at attracting the world’s best talent. If you are a Polish data programmer, a German creative or a Brazilian strategist and you choose to come to London, it is probably because you are one of the best in the business in your home market and you are coming to work in the UK to improve your CV and career and work on global business”.²¹²
187. The Advertising Association conducted a survey of 132 advertising companies in 2017 which demonstrated the extent of integration of international talent in the UK advertising industry. In the survey, 69% of respondents said that they employed staff from outside of the UK. On average, 17% of an agency’s workforce was made up of EU nationals while 10% were from the rest of the world.²¹³
188. Having an internationally diverse workforce benefits the industry’s creativity. Nigel Moore, Production Director at Fuzzy Duck Creative, said that “We are an ideas type of an industry. The wider your set of ideas is, the better. A person who comes from France has a very different approach from that of a person from Germany, which is very different from my approach as someone from Hertfordshire who now lives in the north-west.”²¹⁴

209 Q 45

210 Written evidence from HM Government ([ADV0016](#))

211 Q 72 (Katharine Newby Grant)

212 Q 1 (Stephen Woodford)

213 Written evidence from the Advertising Association ([ADV0019](#))

214 Q 175 (Nigel Moore)

189. The language skills and cultural awareness of international talent also helps UK advertising companies attract international clients. Leo Rayman said of his company Grey Advertising London: “We have a number of international accounts that we run from London, and having someone from Italy, Spain or Germany who speaks the language and understands the cultural nuances in that market ... is absolutely critical.”²¹⁵
190. Alex Lubar underlined the importance of international talent for his company McCann London:
- “Sixty per cent of our clients are either globally hubbed or have regional European hubs out of our London office. Those clients will often come to us and say, “We want a team that is mixed background. We want a team that in some way mirrors the consumers ... in the case of certain of our clients that have European hubs, with major business in France, Germany or Italy, they like us to have a mixture of Europeans on the team”.²¹⁶
191. Rahul Batra, Managing Partner of Hudson McKenzie, said that international workers bring their contacts with them which helps UK advertising agencies win accounts from overseas clients.²¹⁷ This can have a multiplier effect, with the work generated by international clients providing jobs for UK workers.²¹⁸
192. International workers also fill gaps in the UK labour market. James Murphy of adam&eveDDB told us that the advertising industry competes for staff “with lots of other industries, many of which have wider margins and higher salaries than we can offer. We have definitely benefited from being able to bring in people from other countries, particularly some EU countries, Germany and Poland notably”.²¹⁹ Ignis, an agency, said that the advertising industry is changing faster than the “UK-only talent pool can satisfy. If we are unable to hire the experienced talent to harness the latest technology, we will fall behind our international competitors.”²²⁰

UK immigration system

193. Under the “free movement of persons” principle, citizens of the EU nations, Switzerland and the European Economic Area (which includes Norway and Iceland) are entitled to work or study in the UK. Citizens from the rest of the world may apply for a visa to work, stay or study in the UK.
194. With the UK’s departure from the EU, the Government will end free movement of persons into the UK. The Government stated that “migration between the UK and the EU will continue, and we are considering a number of options for how this might work”.²²¹
195. As part of the process of determining its options, the Government said that it will “consider evidence presented by the independent Migration Advisory Committee, which is due to report in September 2018”.²²²

215 [Q 45](#)

216 [Q 31](#)

217 [Q 41](#)

218 [Q 45](#) (James Murphy)

219 [Q 45](#)

220 Written evidence from Ignis ([ADV0010](#))

221 Written evidence from HM Government ([ADV0016](#))

222 Written evidence from HM Government ([ADV0016](#))

196. The Rt Hon Matt Hancock MP, the then Minister of State for Digital, said that the UK had already reached agreement with the EU that their “citizens already resident or who decide to base themselves here before March 2019, will be free to stay and continue to have broadly the same access to benefits and healthcare as they do currently”.²²³

Brexit uncertainty

197. The UK advertising industry relies on EU nationals to attract clients, improve creativity and fill gaps in the domestic labour market. Tobin Ireland said of his workforce that “some of our EU residents are from Colombia, Brazil and India who just happened to have a grandparent who lived in Spain, Portugal or the UK.”²²⁴
198. The7stars media agency told us that Brexit is already playing a “significant role in pushing digital talent back to Europe (especially to cities such as Barcelona, Amsterdam, Paris and Berlin)”.²²⁵ Alex Lubar, Chief Executive of McCann London, agreed: “our most proximate threat is Amsterdam. That is the closest version of a regional hub within Europe where talent would go.”²²⁶ Stephen Woodford of the Advertising Association said that Amsterdam is offering tax incentives to those with skills that are in demand and have been very “quick out of the blocks, looking to gain share from the UK as a result of Brexit”.²²⁷ Mr Woodford said that the Advertising Association has “anecdotal evidence of EU citizens working in our industry thinking their time is up and it might be time to return”.²²⁸
199. The Advertising Producers Association saw a more global threat to London; if international talent could not come to London, the city would be “overtaken as a centre by Los Angeles or New York or Amsterdam or Montreal”.²²⁹ The threat might not just be losing talent in advertising firms, but discouraging digital advertising starts-ups or investment.²³⁰
200. In February 2018, independent creative agency HarrimanSteel announced that it was shutting its London office for a new office in Amsterdam. James Murphy reported that a major European client of his company adam&eveDDB had requested that it’s account be moved from London to continental Europe.²³¹

Visa system

201. Non-EU migrants may apply for one of a number of categories of visa. Box 8 provides a brief overview of the categories of visa (known as tiers) that are relevant to working in the advertising industry.

223 [Q 143](#)

224 [Q 56](#)

225 Written evidence from the7stars media agency ([ADV0006](#))

226 [Q 35](#)

227 [Q 1](#)

228 [Q 3](#)

229 Written evidence from the Advertising Producers Association ([ADV0001](#))

230 [Q 93](#) (Henry Faure Walker)

231 WARC, ‘Brexit challenges claim first agency’, (15 February 2018): https://www.warc.com/newsandopinion/news/brexit_challenges_claim_first_agency/40043 [accessed 15 February 2018]

Box 8: Visa System

Tier 1: This category is for entrepreneurs who want to invest in the UK or individuals with exceptional talent.

Tier 2: This category is for skilled workers. Migrants may be eligible to apply for the Tier 2 (General) subcategory if they have been offered a skilled job that cannot otherwise be filled by a UK resident. One means to show this is if the profession or role is on the Shortage Occupation List. Tier 2 (Intra-company Transfer) visas are available to individuals whose employer has offered them a role in a UK branch of the organisation.

Tier 3: This category is no longer in use.

Tier 4: This category applies to further and higher education students.

Tier 5: This category applies to temporary workers and young people who qualify under the youth mobility scheme

202. The Government told us that they have made a series of reforms to the UK immigration system to give “businesses in the UK, and abroad, the confidence they need in our system. We have a comprehensive offer for non-EEA nationals wishing to work in the UK”.
203. We heard that the UK immigration visa system was slow, expensive and restrictive. The Institute of Directors told the House of Lords European Union Committee:
- “Visa applications typically take between three and eight months to process. The forms that an employer must fill out typically comprise about 100 questions and 85 pages for a visa. It is very time-consuming and onerous”.²³²
204. Under Tier 2, medium sized and large companies are obliged to pay the immigration skills charge of £1,000 per worker per year.²³³ Rahul Batra, Managing Director of Hudson McKenzie, said this charge is a “huge cost for employers. You are taking all that money from the employers, saying that we want to improve our skill set in the UK with this money, but you are not helping them in any way if you are restricting the Tier 2 visas and staff coming from overseas”.²³⁴
205. Mr Batra also told us how restrictive the Tier 2 visa is. For example, freelancers may not apply for Tier 2 visas, and the shortage occupation lists are inflexible and do “not benefit the employers”.²³⁵
206. Many of our witnesses were concerned that the extension of the UK visa system to EU nationals would be detrimental to the advertising industry. Leo Rayman said that such an extension would “slow down our ability to win business, convert it and make it work”.²³⁶ James Murphy stated that the free movement of people meant that there are EU citizens with the right

232 European Union Committee, *Brexit: UK-EU movement of people*, (14th Report, Session 2016–17, HL Paper 121)

233 Larger companies pay £1,000 for the first year and £500 for each additional six months. Small companies and charities pay a reduced charge. Home Office, ‘UK visa sponsorship for employers’: <https://www.gov.uk/uk-visa-sponsorship-employers/immigration-skills-charge> [accessed 14 February 2018]

234 [Q 36](#)

235 [Q 36](#)

236 [Q 45](#)

skills based in the UK and “we do not have to go to their countries to hire them specifically for a job. They are here.”²³⁷ The Government also limits the number of Tier 2 visas (General) that it issues to 20,700 annually. Rahul Batra told us that if EU nationals are added, Tier 2 will be “oversubscribed every month”.²³⁸

207. A number of witnesses were concerned that extending the UK visa system to EU nationals would be a barrier to SMEs having ready access to workers and to EU freelancers entering the UK labour market.
208. The7stars, a media agency, told us that “as an SME, in the past we have avoided applicants ... with complex visa requirements”.²³⁹ Tobin Ireland of SmartPipe Solutions stated that for a “small business like ours, if we were unable to retain half the team because they had to apply for visas it would have a catastrophic effect on our business”.²⁴⁰ Faced with such an eventuality and without access to the best international talent, Mr Ireland believed that SmartPipe Solutions would have to “face moving to another location, such as Poland or Paris”.²⁴¹
209. The Creative Industries Federation said that the Government should introduce “a visa for freelancers, who make up a third of the [creative] sector’s workforce in the UK”.²⁴²
210. **Extending the tiered visa system to EU nationals will create an unmanageable barrier to finding and hiring the talent that the advertising industry needs to maintain its global success. It will also dis-incentivise EU freelancers from working in the UK and further reduce the advertising industry’s access to global talent.**

Students

211. Some witnesses were concerned that extending the visa system to EU students would discourage such students from applying to UK universities. Professor Douglas West of King’s College London said that, “we attract excellent students from the EU and many of them want to stay in London and, if not London, the north or other hubs where they can go for marketing and advertising ... we are very concerned that we may well lose them”.²⁴³
212. The Government stated that foreign university graduates can apply for a graduate job and do not count towards the annual Tier 2 (General) limit of 20,700 places. The Government said that it was “creating a visa for graduates wishing to undertake a corporate internship ... related to their degree. We also allow all completing PhD students to stay in the UK for an additional year to work, gain experience in their chosen field, or set up as an entrepreneur”.²⁴⁴
213. However, Sally Chan of the University of Leeds Business School told us:

237 [Q 45](#)

238 [Q 36](#)

239 Written evidence from the7stars media agency ([ADV0006](#))

240 [Q 57](#)

241 [Q 59](#)

242 Creative Industries Federation, *Global Trade Report: How to maximise the UK’s global ambition and potential through its creative industries*, (January 2018): https://www.creativeindustriesfederation.com/sites/default/files/2018-01/Federation%20Global%20Trade%20Report_0.pdf

243 [Q 14](#)

244 Written evidence from HM Government ([ADV0016](#))

“The visa situation makes the process of gaining employment by international students at British agencies very difficult ... my international students are keen to gain experience in Britain but I have yet to meet one international student (and I teach about 200 ad students every year) who has secured employment at a UK agency”.²⁴⁵

214. Rahul Batra said of the post-study visa which was abolished in 2012²⁴⁶ that when “you came as a student, you could work two years after that with any employer and gain some experience. Ever since that has been scrapped, the numbers have dwindled and people do not want to come here anymore”.²⁴⁷
215. Raphael Salama, WPP Fellow and Account Manager at AKQA, noted that the current visa system is beyond the reach of many foreign graduates: “I went to university with lots of foreign people who were on Tier 4 visas and I found the difficulty that they had in terms of staying in the UK afterwards remarkable ... the criteria they had to hit, in terms of a £20,000 starting salary, £945 in savings, to access a Tier 2 visa seemed nonsensical to me. A lot of people cannot get a job as soon as they finish university—barely anyone does—but yet we just are getting rid of them”.²⁴⁸
216. Professor Sean Nixon of the University of Essex said “The industry would benefit from an approach to higher education that ... relaxes the current draconian terms of Tier 2 and Tier 4 student visas”.²⁴⁹ Professor Jonathan Hardy said that international students should be “exempted from the cap on Tier 2 visas for at least one year after graduation”.²⁵⁰
217. ***We recommend that Tier 4 visas should be extended to allow all students to work in the UK for at least two years after graduation.***

Future development of UK immigration system

218. As noted above, the Government’s policy is that the UK’s departure from the European Union will lead to further changes in the UK’s immigration system.
219. Rahul Batra said that the Government was not mindful of the views of business: “I sit on the executive committee of the Home Office, and I have noticed that they call us, seek our views and then do what they want to do. It is not helping the businesses”.²⁵¹
220. Stephen Woodford said of the UK immigration system following the UK’s departure from the European Union: “We would like it to be as near to the status quo ... because it has worked very, very well for us. It does not seem to be displacing British jobs. We have a bigger industry because of [its] global performance”.²⁵² It would be “paradoxical to think we are going to have a much more restrictive immigration policy and, at the same time, go global. The best way we can secure our future is to be as open as possible”.²⁵³

245 Written evidence from Sally Chan (ADV0025)

246 BBC, *UK government rejects student visa calls* (26 October 2016): <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-37792997> [accessed 8 February 2018]

247 Q 53

248 Q 24

249 Written evidence from Professor Sean Nixon (ADV0005)

250 Written evidence from Professor Jonathan Hardy (ADV0009)

251 Q 36

252 Q 2

253 Q 2 (Stephen Woodford)

221. The Government stated that “we hope to seize the opportunity created by our departure from the EU to turn outwards as Global Britain, and to make UK advertising visible to new global markets ... We want to be clear that the UK advertising industry is open for business”.²⁵⁴
222. Matt Hancock MP told us: “We have to attract the brightest and the best from wherever they are in the world—EU, non-EU and rest of the world—and at the same time we must grow our own talent”.²⁵⁵ The Government has stated that the forthcoming white paper on immigration will outline the longer-term plans for the UK immigration system. The Government has not set a publication date but promised that it will be published in the coming months.²⁵⁶
223. **The UK advertising industry is a global leader because it has access to talented individuals from around the world, including the EU. These workers provide the cultural, creative, digital and languages skills which enable the UK to win advertising accounts from multi-national companies for global campaigns. The creative industries including the advertising industry are largely project-based which requires the rapid recruitment of freelance staff from the broadest field of talent. This type of recruitment is not possible under the UK visa system which is slow, expensive and restricted.**
224. *As the UK leaves the EU, the Government must develop an immigration policy that works for businesses. We recommend that the visa system must be made easier and cheaper to navigate for both individuals and companies.*
225. In particular, the Government should consider the following recommendations which relate specifically to the advertising industry but may also apply to other industries which because of their global nature rely heavily on international workers. It is the responsibility of the creative industries including advertising to nurture the domestic workforce. They must not neglect their responsibilities in developing the creative talent within all sections of society including disadvantaged socio-economic groups.
226. *We recommend that the Government should allow foreign nationals to work in the UK following an offer of a permanent employment contract by a UK advertising employer. In negotiating the terms of free trade agreements with the UK’s trading partners, the Government should seek reciprocal arrangements for UK citizens wishing to work in those partner countries.*
227. *We recommend that the Government should introduce a creative industries’ freelancer visa on the basis of reciprocal agreements with nations around the world. This will allow foreign freelancers to work in the UK and grant UK freelancers the right to work abroad.*

254 Written evidence from HM Government ([ADV0016](#))

255 [Q 143](#)

256 HL Deb, 5 February 2018, [col 1844](#)

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Internet Advertising

1. Advertising fraud and misplacement present serious problems for the industry. They are caused by the lack of transparency in the digital media value chain. This has diminished trust within the market. There is a serious risk that advertisers, particularly smaller ones with less experience of the market and fewer resources, may not receive value for money. (Paragraph 55)
2. It is in the interests of the whole industry to take greater steps to self-regulate through independent third parties such as JICWEBS. We think that the largest industry bodies should commit to signing up fully to JICWEBS. We recommend that the industry should give these bodies greater powers to create and enforce rules establishing robust industry standards on measuring effectiveness and third-party verification. If businesses fail to do so, the Government should propose legislation to regulate digital advertising. (Paragraph 56)
3. We agree with the Incorporated Society of British Advertisers (ISBA) that content should not be made available for advertising placement unless it has been positively vetted. We ask ISBA what progress it has made in persuading online platforms to vet such content and what action still needs to be taken. (Paragraph 57)
4. The lack of transparency in the digital media advertising market hinders the ability of advertisers to ascertain whether they receive value for money. This is in part caused by the superfluity of ad tech intermediaries, but Google alone has control at all levels of the market. We recommend that the Competition and Markets Authority (CMA) should conduct a market study of digital advertising to investigate whether the market is working fairly for businesses and consumers. (Paragraph 76)
5. As the UK leaves the EU, we call upon the Government to ensure that the CMA is properly resourced to take on the burden of cases that would otherwise be dealt with by the European Commission. (Paragraph 77)
6. Consumers do not pay for free online services, but in exchange they must give up their data. The dominance of Google and Facebook leads us to question whether current competition law is adequate to regulate the 21st century digital economy that is increasingly driven by personal data rather than money. We recommend that the Government should use the Digital Charter to gather evidence on this issue. (Paragraph 78)
7. Many advertisers and content providers flout the rule that online advertising must clearly be labelled as advertising. There is currently no standard way to label advertising, and so even those who comply with the rule are inconsistent in how they do so. At the same time, there is a poor understanding among consumers that much content has been paid for. (Paragraph 86)
8. We recommend that the Advertising Standards Authority should create a universal, mandatory logo to signify wherever online content has been sponsored by a brand. It should enforce the use of the logo next to any paid for text or video. Producers of content should continue to engage with their audiences in words to signify when content is sponsored. (Paragraph 87)

9. As we await the implementation of the General Data Protection Regulation, we remain concerned that many businesses exploit users' data without informed consent. Nonetheless the ability to transfer data to and from the EU is essential for the advertising industry. We recommend that the Government should ensure that the UK maintains regulatory alignment with the EU on data protection. We are concerned that Brexit will cause the UK to lose its influence in setting EU rules for data protection which the UK is likely to remain aligned with post-Brexit. We recommend that the Information Commissioner's Office has a position on the European Data Protection Board. (Paragraph 96)

Workforce

10. The advertising industry, like other creative industries, requires workers with a fusion of artistic and science (STEAM) skills who can use digital skills creatively. Unfortunately, the education system encourages children to specialise in either arts or science subjects. (Paragraph 111)
11. There is a shortage of individuals with the requisite digital skills and the industry must compete for these with other sectors. We welcome steps taken by the Government to improve this. We are concerned, however, that in its efforts to promote these subjects, arts have been side-lined in the curriculum and in measurements of school attainment such as the English Baccalaureate. (Paragraph 112)
12. We recommend that the Government undertake a review of skills needed by the future economy and whether the education system reflects the needs of growing sectors, such as advertising and the creative industries. This will be increasingly important in the face of rising automation. In particular, the Government should review whether it is still appropriate for young people to specialise in either arts or science subjects at an early stage. Subjects should be introduced that blend arts and sciences for this fusion of skills is essential for the economy. (Paragraph 113)
13. We recommend that the English Baccalaureate must include the measurement of one arts subject. This will ensure that the arts are properly recognised both by schools and the school league tables. (Paragraph 114)
14. The advertising industry's requirements of the UK's higher education system are rapidly changing whilst the industry's traditional source of new entrants—universities—struggle to keep pace. (Paragraph 125)
15. We recommend that universities and the advertising industry work more closely with one another to create focused training and strong local connections. There are a number of examples of good practice in this regard but many university courses are disconnected from the needs of industry. (Paragraph 126)
16. Individuals from all communities and backgrounds should have access to employment in the creative sector. Improvement in diversity will also allow the advertising industry to access a larger talent pool which better reflects the advertisers' audience and will help them understand their audiences better. However, industries that fail to provide clear and fair recruitment routes deter entrants from disadvantaged socio-economic groups and members of the Black, Asian and Minority Ethnic (BAME) community. (Paragraph 144)

17. We recognise that the advertising industry has taken effective measures to improve diversity and to ensure that individuals of different ability, gender, ethnicity and class are properly represented in the industry's workforce and 'onscreen'. We recommend that in developing new routes to entry and when recruiting people from a range of backgrounds, the industry takes care to avoid its employees believing career progress requires compliance with industry stereotypes. (Paragraph 145)
18. We recommend that the industry should continue to show leadership and improve representation at senior levels. This is critical to embedding throughout the industry recognition that—as its business is to understand and influence citizens of all kinds—there are no barriers to success for people of all kinds. We therefore recommend that barriers to entering the industry such as informal recruitment procedures need to be removed. The Government should clarify, if necessary through legislation, that all internships and work experience programmes of more than four weeks should be remunerated and Her Majesty's Revenue and Customs should take enforcement action against non-compliant businesses. The industry should develop and implement best practice such as 'CV-blind' recruitment processes, and encourage outreach and mentoring programmes. (Paragraph 146)
19. Professional careers advice is crucial to ensuring that the advertising industry has access to a diverse talent pool, including young people with digital skills. Comprehensive careers advice and employer interactions should start in every primary school and continue throughout pupils' school careers. This will ensure that children and young people are fully aware of the range of advertising and creative industry roles available to them. We welcome the Government's commitment to providing resources for careers advice at all levels of education. (Paragraph 158)
20. We recommend that the Government must provide more resources to deliver sufficient careers advice and employer interactions for all communities throughout the UK. The Government must also provide more resources to ensure greater employer interactions with primary school pupils and young people who have not yet chosen their GCSEs. In return, the industry should step up its campaigning efforts to promote advertising as a career to communities around the UK. The advertising industry must also provide more learning tools to schools with a view to introducing pupils, parents and teachers to the roles available in the industry. This learning provision should be supplemented with more visits to schools by advertising practitioners. (Paragraph 159)
21. We recognise that there are great time pressures on school timetables. We recommend that the Government should encourage schools to make time for employers to interact with children by taking account of such interaction activities when measuring school performance. (Paragraph 160)
22. We recommend that universities careers services should promote the opportunities offered by the advertising industry to digital and data students. (Paragraph 161)
23. We welcome the willingness of the advertising industry to use apprenticeships to improve diversity. However, the Government's apprenticeship scheme is not appropriate for the advertising industry or the wider creative sector. It is failing to provide courses of adequate quality. The slowness in approving apprenticeship standards is limiting the scheme's usefulness. Many small

businesses lack the means to utilise the apprenticeship scheme properly. The inappropriateness of the levy for the creative industries was also noted in our previous report on skills training for the theatre industry. (Paragraph 181)

24. We recommend that the Government should undertake a comprehensive review of the apprenticeship scheme to ensure that it is suitable for the creative industries. Under the review, the Government should investigate how the period for the approval of training standards could be reduced and whether small advertising businesses could pool resources into a shared apprenticeship levy account. (Paragraph 182)

Access to international talent

25. Extending the tiered visa system to EU nationals will create an unmanageable barrier to finding and hiring the talent that the advertising industry needs to maintain its global success. It will also dis-incentivise EU freelancers from working in the UK and further reduce the advertising industry's access to global talent. (Paragraph 210)
26. We recommend that Tier 4 visas should be extended to allow all students to work in the UK for at least two years after graduation. (Paragraph 217)
27. The UK advertising industry is a global leader because it has access to talented individuals from around the world, including the EU. These workers provide the cultural, creative, digital and languages skills which enable the UK to win advertising accounts from multi-national companies for global campaigns. The creative industries including the advertising industry are largely project-based which requires the rapid recruitment of freelance staff from the broadest field of talent. This type of recruitment is not possible under the UK visa system which is slow, expensive and restricted. (Paragraph 223)
28. As the UK leaves the EU, the Government must develop an immigration policy that works for businesses. We recommend that the visa system must be made easier and cheaper to navigate for both individuals and companies. (Paragraph 224)
29. We recommend that the Government should allow foreign nationals to work in the UK following an offer of permanent employment contract by a UK advertising employer. In negotiating the terms of free trade agreements with the UK's trading partners, the Government should seek reciprocal arrangements for UK citizens wishing to work in those partner countries. (Paragraph 226)
30. We recommend that the Government should introduce a creative industries' freelancer visa on the basis of reciprocal agreements with nations around the world. This will allow foreign freelancers to work in the UK and grant UK freelancers the right to work abroad. (Paragraph 227)

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Lord Allen of Kensington
 Baroness Benjamin
 Baroness Bertin
 Baroness Bonham-Carter of Yarnbury
 Bishop of Chelmsford
 Viscount Colville of Culross
 Lord Finkelstein (until 27 October 2017)
 Lord Gilbert of Panteg (Chairman from 9 November 2017)
 Lord Goodlad (from 9 November 2017)
 Lord Gordon of Strathblane (from 18 October 2017)
 Lord Henley (Chairman until 27 October 2017)
 Baroness Kidron
 Baroness McIntosh of Hudnall
 Baroness Quin
 Baroness Stowell of Beeston (from 9 November 2017)

Declarations of interest

Lord Allen of Kensington
Chairman, Global Media & Entertainment (including Global Radio)
Chairman, Moelis & Company (an independent advisory bank which advises media companies)
Declarable shareholding, ITV plc
 Baroness Benjamin
Actress and TV presenter who is often employed to do adverts/voiceovers for commercials and appear on TV
Member, BBC Diversity Panel
 Baroness Bertin
Employee (part-time), BT
 Baroness Bonham-Carter of Yarnbury
No relevant interests declared
 Bishop of Chelmsford
No relevant interests declared
 Viscount Colville of Culross
Series Producer, ITN Productions, 6-month contract for Channel 5 commission
 Lord Gilbert of Panteg (Chairman)
Director, Stephen Gilbert Consulting (Member's consultancy dealing in public-opinion research and communications strategy); current personal clients include Finsbury, a public relations company owned by WPP
Attended England v Ireland rugby match at Twickenham on 17 March 2018 as guest of ITV
 Lord Goodlad
Member, Advisory Board of GovNet Communications Ltd
 Lord Gordon of Strathblane
Small shareholding in Johnston Press PLC
 Baroness Kidron
No relevant interests declared

Baroness McIntosh of Hudnall

No relevant interests declared

Baroness Quin

No relevant interests declared

Baroness Stowell of Beeston

No relevant interests declared

A full list of Members' interests can be found in the Register of Lords' Interests:

<http://www.publications.parliament.uk/pa/ld/ldreg.htm>

Specialist advisor

Professor Agnes Nairn

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://www.parliament.uk/HLComms-advertising-industry> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral evidence and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

**	Stephen Woodford, CEO, Advertising Association	QQ 1–7
**	John Mew, CEO, Internet Advertising Bureau UK	QQ 8–18
*	Dr Toby Syfret, Director of TV Research, Enders Analysis	
*	Professor Douglas West, Professor of Marketing, Kings College London	
*	Paul Bainsfair, Director General, Institute of Practitioners in Advertising	QQ 19–28
**	Kate Burnett, Managing Director–DMA Talent, Direct Marketing Association UK	
**	Raphael Salama, Account Manager, AKQA	
*	Rahul Batra, Managing Partner, Hudson McKenzie	QQ 29–41
**	Alex Lubar, CEO, McCann London	
*	Robert Stone, Group Head of Talent, McCann Worldgroup	
*	James Murphy, CEO, adam&eveDDB	QQ 42–51
*	Leo Rayman, CEO, Grey Advertising London	
*	Tobin Ireland, Co-Founder and CEO, Smartpipe Solutions	QQ 52–59
*	John Kearon, Founder and CEO, System 1 Group plc	
*	Sir Martin Sorrell, CEO, WPP	QQ 60–70
**	Phil Smith, Director General, Incorporated Society of British Advertisers	QQ 71–84
*	Katharine Newby Grant, Associate Director, Media-Northern Europe, Procter & Gamble	
**	Henry Faure Walker, Board Member, News Media Association	QQ 85–96
**	Matt Rogerson, Head of Public Policy, Guardian Media Group	
*	Jonathan Allan, Sales Director, Channel Four Television	QQ 97–104

- ★★ Max Beverton, UK Policy Manager, Sky UK
- ★★ Tess Alps, Chair, Thinkbox
- ★ James Erskine, Director, Social Circle [QQ 105–114](#)
- ★ Beckii Cruel, Social media influencer
- ★ Dr Michael Grenfell, Executive Director - Enforcement, Competition Markets Authority [QQ 115–122](#)
- ★★ Miles Lockwood, Director–Complaints and Investigations, Advertising Standards Authority
- ★ Steve Wood, Deputy Commissioner - Policy, Information Commissioner’s Office
- ★ Professor Patrick Barwise, Emeritus Professor of Management and Marketing, London Business School [QQ 123–133](#)
- ★ James Collier, Co-Founder, Prism
- ★ Ed Couchman, Director of Agency Partnerships, and Simon Milner, Policy Director - UK, Middle East and Africa, Facebook [QQ 134–139](#)
- ★★ Adam Cohen, Head of Economic Policy for EMEA, and Michael Todd, Head of Advertising Industry Relations, Google
- ★★ Rt Hon Matt Hancock MP, Minister of State for Digital, Department for Digital, Culture, Media and Sport (HM Government) [QQ 140–145](#)
- ★★ Rt Hon Anne Milton MP, Minister of State for Apprenticeships and Skills, Department for Education (HM Government)
- ★★ Professor Tony Hines, Professor of Marketing, Manchester Metropolitan University [QQ 146–164](#)
- ★ Dr Oliver Kayas, Senior Lecturer, Department of Operations, Technology, Events and Hospitality Management, Manchester Metropolitan University
- ★ Dr Jane Tonge, Senior Lecturer, Department of Marketing, Retail and Tourism, Manchester Metropolitan University
- ★ Farah Bahsoon [QQ 165–170](#)
- ★ Mark Carrington
- ★ Gerard Devney
- ★★ Christian James, Managing Director, If [QQ 171–182](#)
- ★ Nigel Moore, Production Director, Fuzzy Duck
- ★ Belinda Peach, Director, Peachy
- ★★ Nicky Unsworth, CEO, BJL

Alphabetical list of all witnesses

	adam&eveDDB and Grey Advertising London—oral evidence (QQ 42–51)	
**	Advertising Association (QQ 1–7)	ADV0019
	Advertising Producers Association	ADV0001
**	ASA system (QQ 115–122)	ADV0015
*	Professor Patrick Barwise (QQ 123–133)	
*	Farah Bahsoon (QQ 165–170)	
	Sophie Bishop	ADV0012
*	BJL (QQ 171–182)	
*	Mark Carrington (QQ 165–170)	
	Sally Chan, Senior Teaching Fellow in Marketing, University of Leeds Business School	ADV0025
*	Channel 4 Television (QQ 97–104)	
	Chartered Institute of Marketing	ADV0014
	Jim Chisolm	ADV0036
*	James Collier (QQ 123–133)	
	Commercial Broadcasters Association	ADV0027
*	Competition and Markets Authority (QQ 115–122)	
*	Beckii Cruel (QQ 105–114)	
*	Gerard Devney (QQ 165–170)	
**	Direct Marketing Association UK (QQ 19–28)	ADV0021
**	DMA Talent (QQ 19–28)	ADV0040
*	Enders Analysis (QQ 8–18)	
*	Facebook (QQ 134–139)	
*	Fuzzy Duck (QQ 171–182)	
**	Google UK (QQ 134–139)	ADV0031
*	Grey Advertising London (QQ 42–51)	
**	Guardian News & Media (QQ 85–96)	ADV0032
	Professor Jonathan Hardy, School of Arts and Digital Industries, University of East London	ADV0009
**	HM Government (QQ 140–145)	ADV0016
**	Professor Anthony Hines, Chair of Marketing, Manchester Metropolitan University (QQ 146–164)	ADV0024
*	Hudson McKenzie (QQ 29–41)	
**	Ideas Foundation (QQ 171–182)	ADV0037
	ignis	ADV0010

**	Incorporated Society of British Advertisers (ISBA) (QQ 71–84)	<u>ADV0020</u>
*	Information Commissioner’s Office (QQ 115–122)	
**	Institute of Practitioners in Advertising (IPA) (QQ 19–28)	<u>ADV0023</u>
**	Internet Advertising Bureau UK (QQ 8–18)	<u>ADV0022</u> <u>ADV0033</u>
*	Dr Oliver Kayas (QQ 146–164)	
**	McCann London (QQ 29–41)	<u>ADV0028</u>
*	McCann Worldgroup (QQ 29–41)	
	Market Research Society (MRS)	<u>ADV0018</u>
	Mediacom	<u>ADV0004</u>
	Moore Stephens LLP	<u>ADV0035</u>
**	News Media Association (QQ 85–96)	<u>ADV0011</u>
	Professor Sean Nixon, Department of Sociology, University of Essex	<u>ADV0005</u>
*	Peachy (QQ 171–182)	
*	Procter & Gamble (QQ 71–84)	
	Pulse Films	<u>ADV0003</u>
	Radiocentre	<u>ADV0026</u>
	Royal Statistical Society	<u>ADV0034</u>
**	Raphael Salama (QQ 19–28)	<u>ADV0030</u>
**	Sky UK (QQ 97–104)	<u>ADV0029</u> <u>ADV0039</u>
*	Smartpipe Solutions (QQ 52–59)	
*	Social Circle (QQ 105–114)	
*	System 1 Group plc (QQ 52–59)	
	the7stars media agency	<u>ADV0006</u>
**	Thinkbox (QQ 97–104)	<u>ADV0017</u> <u>ADV0038</u>
*	Dr Jane Tonge (QQ 146–164)	
*	Professor Douglas West (QQ 8–18)	
*	Sir Martin Sorrell, CEO, WPP (QQ 60–70)	

APPENDIX 3: CALL FOR EVIDENCE

The House of Lords Select Committee on Communications, under the chairmanship of Lord Henley, is to conduct an inquiry into the UK advertising industry. The Committee invites any interested organisation or individual to submit written evidence to the inquiry. Written evidence must be submitted by Friday 20 October 2017.

The Committee expects to hear oral evidence from invited witnesses from September to December 2017 and intends to report early in 2018. The Government has undertaken to respond in writing to reports from select committees.

Background

Advertising and marketing services added £13.3 billion to the economy in 2014, more than any of the other creative industries except IT.²⁵⁷ The Advertising Association, an industry body, states that, by helping companies to attract customers, advertising generates £120 billion in economic activity. In the international arena, the UK is the second biggest exporter of advertising services in the world with exports amounting to £4.3 billion a year, and has the largest advertising market in Europe. The industry claims to support one million jobs in the UK.²⁵⁸

Some analysts have identified that, as with the other creative industries, these jobs tend to be located in creative clusters. These may be defined as “agglomerations of creative businesses and workers that collaborate and compete with each other” with the result that individual businesses are able to access a significant number of creative workers and clients, as well as collaborate and share information with one another.²⁵⁹ Some analysts have also described the advertising industry as an ecosystem that is constituted of creative talent, client management and strategic management.

Perhaps because the UK has been able to generate such clusters, it has been able to attract talented individuals from around the world. For example, the Advertising Association estimates that as many as 1 in 5 of those working in UK advertising are from other EU countries. It has called for continued access to the global talent pool. It has also emphasised the need to develop creative, technological, mathematical and analytical skills.²⁶⁰

The advertising industry faces major change as advertisers switch from the traditional media of television, radio and print to digital. In May 2017, Enders Analysis reported that “digital advertising now generates more revenue in the UK than all other media”.²⁶¹ In July the Advertising Association and WARC reported

257 DCMS, ‘Creative Industries Economic Estimates’ (January 2016) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523024/Creative_Industries_Economic_Estimates_January_2016_Updated_201605.pdf [accessed 6 September 2017]

258 The Advertising Association, Global strength and regional growth: A blueprint for how advertising can drive the UK’s industrial strategy (April 2017): <https://www.adassoc.org.uk/campaigns/industrial-strategy/>

259 Nesta, The Geography of Creativity in the UK (July 2016) https://www.nesta.org.uk/sites/default/files/the_geography_of_creativity_in_the_uk.pdf [accessed 6 September 2017]

260 The Advertising Association, ‘Brexit: the story so far’: https://www.adassoc.org.uk/wp-content/uploads/2017/10/798_AdAssoc_LEAD_Brexit_Booklet_REFERENCE.pdf

261 Enders Analysis, Mounting risks to marketing effectiveness (18 May 2017)

that television spending for the first quarter of the year had experienced its first fall since 2009 while internet spend increased by about 10%.²⁶²

Aim of the inquiry

As noted above the advertising industry is both a significant factor in the growth of the UK economy and a world-leading industry in itself. The aim of this inquiry is therefore to examine the future of the UK advertising industry and to investigate how policies and practices might help the industry to maintain its pre-eminent position. In particular, this inquiry aims to consider how it can continue to have access to the talent that it needs.

In doing so the Committee notes that work has commenced on an early sector deal for the creative industries, as outlined in the Government's Green Paper on the Industrial Strategy.²⁶³

The inquiry will focus on the following areas:

- (1) The skillsets and development of skills needed to sustain the industry.
- (2) The UK's access to international talent.
- (3) Whether creative and business clusters contribute to the industry's success and, if so, whether there is a role for the Government in supporting this.
- (4) How the industry can adapt in the face of increasing digital advertising.

Questions

The Committee seeks to receive written evidence which addresses the following list of questions. Witnesses should not feel that they must answer every question. On the other hand, witnesses may address issues that are not covered below provided that they are salient to the aims of the inquiry as set out above. Witnesses are also encouraged to suggest recommendations and to discuss whether the evidence bases and available data that contribute to their answers are adequate.

Skills and Research

- (1) What specific skills are required to support the advertising industry in the production and distribution of advertising? Witnesses are invited to address the different skills required for the creative, technical, accounts, business and analytical aspects of the industry.
- (2) Is the current system of education and training for advertising adequate? What are the respective roles of universities and industry in teaching skills? What gaps exist in such provision of training?
- (3) Where should research money be allocated, and why? Are the current levels of investment sufficient? If not, which measures should be adopted to ensure this investment and why?

262 ISBA, 'Brand advertisers under pressure from weakening consumer confidence' (27 July 2017): <http://www.isba.org.uk/news/2017/07/27/brand-advertisers-under-pressure-from-weakening-consumer-confidence> [accessed 6 September 2017]

263 BEIS, *Building our Industrial Strategy: Green Paper* (January 2017): https://beis.gov.uk/citizenspace.com/strategy/industrial-strategy/supporting_documents/buildingourindustrialstrategygreenpaper.pdf [accessed 6 September 2017]

- (4) How much of advertising budget for universities comes from EU sources? How well does the current visa system for students support the advertising industry?

International

- (5) To what extent is the UK advertising industry integrated with the global economy? For example, to what extent does advertising rely on services and talent based outside the UK?
- (6) What are the concerns for the UK advertising industry regarding continued access to international markets? What measures could the Government implement to make the UK an attractive place for foreign companies to buy advertising services?
- (7) How could immigration policy better support the industry?

Clusters and Entrepreneurship

- (8) What role do entrepreneurs, start-ups and Small and Medium Sized Enterprises (SMEs) play in the UK's advertising industry? What are the benefits and disadvantages of employment practices, such as freelancing and virtual working, with respect to the development of skills and access to talent?
- (9) How do creative and business clusters form? Does such clustering contribute to the past success and future growth of the advertising industry? What type of companies and skillsets are required to form clusters that are beneficial to advertising? To what extent can virtual working contribute to the development of clusters?
- (10) What is the role, if any, of the Government in promoting the growth of clusters? How could an appropriate balance be struck between regional growth and the concentration of clusters in the South-East of England?

Digital

- (11) How is the UK advertising industry adapting to the shift to digital media advertising? How does this compare with other countries and other industries? What role can the Government play to support the industry in this regard?
- (12) What is the future of television, print, radio, out of home and other forms of non-digital advertising?
- (13) Is the current digital media market fair, open and competitive? What legislative measures, if any, should be adopted?
- (14) Is there any role for the Advertising Standards Authority or other regulators in respect of digital advertising?

14 September 2017

APPENDIX 4: VISITS

London, 17 October 2017

Lord Henley, Lord Gilbert of Panteg, Baroness Kidron, Viscount Colville of Culross and Baroness Bertin attended London advertising businesses facilitated by the Advertising Association.

The Committee visited the offices of:

- Saatchi & Saatchi, a long-established advertising agency. Members met Sam Hawkey, Managing Director, and Richard Huntington, Chairman and Chief Strategy Officer.
- Framestore, a creative studio which offers visual effects, production, direction and post-production services. Members met Lorraine Fearon, New Business Manager.

Salford and Manchester, 15 January 2018

Lord Gilbert of Panteg, Lord Gordon of Strathblane, Baroness McIntosh of Hudnall and Baroness Stowell of Beeston visited Salford to tour the MediaCityUK offices of ITV where they had an informal discussion with Jason Spencer, Business Development Director, and Jane Luca, Director Public Affairs. Members were then hosted by Prof Antony Hines at Manchester Metropolitan University (MMU) where they heard evidence from university staff and students and local businesses. Transcripts were taken of the evidence heard at MMU (QQ 146–182).