



**Digital Advertising:
Balancing Regulation
and Growth Opportunities
for American Businesses**

Research Methodology

In partnership with the Connected Commerce Council and Google, Advertiser Perceptions surveyed 1,200 US small and medium-size businesses (SMBs), 210 large advertisers, and 200 publishers in March–April 2024 to understand the value of personalized advertising to their organizations. SMBs included businesses with fewer than 500 employees, while large advertisers included businesses with at least 500 employees. Publishers included companies with ad-supported digital websites or apps that receive at least 3 million unique monthly visitors. All respondents were involved in decision-making about digital ads and used personalized advertising. National-level results are weighted to be geographically representative using 2021 US Census data as a baseline for business distribution in each state. State-level results are for sample sizes of N=100 SMBs in the given state. Data and quotes featured in this report are from this research study unless otherwise noted.

Introduction

The internet introduced new ways for people to experience media, and in turn gave web and app publishers the ability to collect data about the readers and viewers accessing their services. In turn, this gave advertisers new ways to reach their audiences using that same data. The lack of existing national standards for how that data could be collected and used has resulted in a wave of legislation in several US states. Advocates of such regulation cite concerns such as a lack of consumer understanding and permission to use data for purposes that might not benefit them. But brands and publishers believe that losing the ability to use data for digital advertising will hamper their ability to attract customers and readers. Furthermore, businesses believe that complicated legal requirements will increase their compliance costs.

Personalized digital advertising uses information about individuals to tailor advertising to fit their interests and needs. The information used to tailor personalized ads includes data such as device type, language, geographic location, time of day, age, or interest-based segments—like people currently in the market for a new home. A local car dealer might use personalized ads to reach people who live nearby and are shopping for a new car. A mobile app developer might use personalized ads to market to people who are interested in gaming. When advertisers use personalized digital ads, people are more likely to see ads for products and services that are relevant to them. And advertisers and publishers can use the same types of information to show whether their campaigns are working effectively.

Today, Advertiser Perceptions estimates that personalized digital ads account for the bulk of digital advertising activity and revenue in the US.

One alternative to personalized digital advertising is to target ads contextually, using the content or medium of a web page or app as a proxy for what a person is interested in. A local car dealer using a contextual strategy could buy ads in the automotive section of a local news website but wouldn't be able to target only those in the market for a new car. A children's clothing seller could advertise in online parenting magazines.

This report will show why personalized digital ads are important to small, medium, and large US advertisers and publishers. While there is a need for regulation to protect users' privacy and provide them with control and transparency about the use of their data, the report will show that such needs should be met in a way that does not undermine the significant benefits that digital advertising enables in the US.

How Personalized Digital Ads Support American Businesses

Personalized digital ads benefit all types of American advertisers and publishers, extending beyond simple returns on advertising spend to include everything from increased profitability to streamlining business operations and more. Common benefits of personalized digital ads that nearly all American business types currently enjoy include:

Greater advertising return on investment compared to non-personalized forms of advertising. Whereas non-personalized digital ad placements and traditional media often rely on contextual cues such as content theme or topic, personalized digital ads offer advertisers the ability to reach audiences based on a more refined understanding of who that audience is based on interests, past purchase activity, or known customer information. With a strategy focused on audience data, advertisers of all types generally see less money wasted on ads that don't reach the right audience and have an easier time measuring the impact of their programs.

Studies such as this one and others conducted by Advertiser Perceptions have found that ROI on ads placed in digital channels such as search, display, video, and social media consistently outperforms that of traditional media, such as print, radio, and linear TV. Specifically, Advertiser Perceptions' April 2024 "US Macroeconomic Effects and Perceptions" study found most US SMBs and large advertisers say that digital ads deliver better ROI than linear TV, radio, print and out-of-home ads.¹

"Digital advertising provides me with ROI data that legacy advertising methods (e.g., print) cannot," said one SMB advertiser in Virginia that works for a company with fewer than 25 employees in a vice president-level role at their company.

¹Source: Advertiser Perceptions. "US Macroeconomic Effects and Perceptions," April 2024. N=301 US advertisers

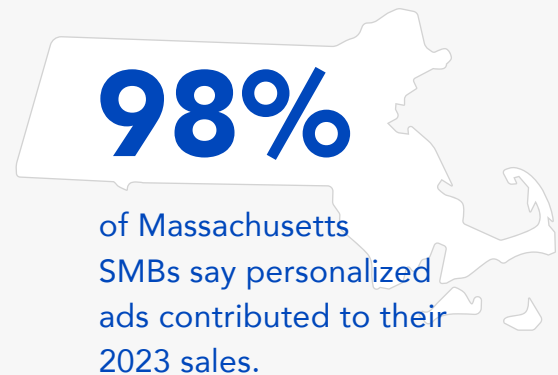
Increased revenue and profitability. This research found the majority of US publishers and advertisers can attribute a healthy portion of their overall revenue to the use of personalized digital ads. US publishers estimated an average of 37% of their total digital ad revenue in 2023 came from personalized ads, with all large publishers surveyed (100%) reporting positive impacts from personalized ads.

“We get higher eCPM [effective cost per thousand impressions] for personalized ads from the advertisers, so personalized ads help with our business,” said one director at a large publisher that averages between \$1B and \$5B in revenue annually.

“Personalized ads typically out-perform...which builds a compelling case for incremental dollars,” said a manager at another large publisher averaging \$10B+ in revenue annually.

Personalized digital ads account for a sizable portion of publishers’ ad revenue. Our study found large publishers sold 45% of their 2023 ad inventory using audience data for personalization.

US advertisers can also directly tie the effects of using personalized digital ads back to their bottom lines. Our study found **82% of SMBs in the US can directly attribute revenue growth in 2023 to personalized ads**, and 87% of large US advertisers grew revenue by using personalized ads in 2023.



A better consumer experience. While personalized advertising is sometimes linked to discussions of data privacy in the US, there are also benefits to consumers and their experiences online. Having accurate information on consumer interests and behaviors—and doing this in a way that prioritizes user privacy and control—makes for a more relevant, respectful and less frustrating user experience.

“As an advertiser, we don’t want to use interruptive advertising methods. That is where personalized ads help us create a better customer viewing experience,” said a director of a Minnesota SMB.

Publishers also reported benefits to their audiences with the ability to offer personalized ads and content experiences. “Personalized ads resonate more with our visitors and result in better engagement/results,” said a C-level respondent at a small publisher.

“By having personalized messages our customers feel respected and that we are cognizant of who they are and what matters most to them,” said another VP+ executive at a small publisher averaging \$50M to \$100M in revenue.

For SMBs, savings on marketing costs and an ability to compete with larger companies (and their ad budgets) are also benefits of personalized digital ads

While advertisers of all sizes enjoy the same benefits described above, small businesses benefit from personalized ads in unique ways that merit mention. More than half of US SMBs say that digital advertising helps them save time and money on marketing. Many digital platforms and publishers today offer self-service advertising tools, which afford small business owners and employees the ability to quickly set up campaigns by specifying who they want to reach and how much they have to spend. These tools also commonly provide advertisers with automated optimization tools and recommendations that utilize machine learning to help advertisers with limited experience using these channels to still maximize their ad results. In short: SMBs don't need technical knowledge to use these tools and don't need to hire agencies or marketers to take advantage of them. Not only that, this alleviates much of the back-and-forth required with sales representatives when looking to purchase other forms of advertising.

Personalized digital ads are integral to helping SMBs find new customers.

"Much of our new business awareness is driven via personalized ads and targeted approaches, as our product is niche and focuses on a specific audience," said one VP+ at a small business in New York.

About seven in 10 (69%) of US SMBs use digital ads to find new customers. From a single interface, small businesses can advertise their products and services to people across the US or even the globe. More importantly, they can be discerning about the types of people they want to reach based on interests, past purchases, and much more.

Lastly, personalized digital ads afford SMBs an opportunity to compete head-to-head with larger advertisers for consumer engagement and reach. Small businesses can easily be priced out of advertising in media like national TV, but digital offers advertisers of all sizes and budgets the ability to reach mass audiences on channels such as social, search, and streaming.



3/4

of Illinois small businesses use personalized digital ads to find new customers in their community.



83%

of Florida small businesses use personalized digital ads to find new customers in new markets.

How Limiting Personalized Digital Ads Will Impact the Economy

Personalized ads help businesses of all sizes drive sales and revenue, find new customers and create a more relevant experience for consumers. But with an increasing number of states looking to regulate the types of data that businesses collect or use for personalized advertising, these benefits may not exist in the long term.

Already this year, states such as Kentucky, Maryland, Nebraska, New Hampshire, and New Jersey have joined numerous other US states in enacting data privacy laws designed to limit the ways businesses can collect and use information about people. Many of these laws focus on the proper consent, collection, storage, and use of personal data for business practices, but each is slightly different. While some are explicit about the types of personal data that businesses can collect, others offer few guidelines. Some apply to all businesses, whereas others apply only to businesses of a certain size or with a select number of customer records.

The bottom line: State-level guidelines make for a complicated and continually changing landscape of dos and don'ts that advertisers and publishers will have to abide by in the absence of preemptive federal standards.

For advertisers and publishers, these put limits around the types of data used to personalize digital ads and website experiences. As those limits grow, advertisers and publishers anticipate shrinking returns on advertising spend and overall revenue as it becomes more difficult to reach their audiences and measure the success of their advertising efforts.

"Against larger players, we do not have the resources to 'flood the market' and hope for the best," said a VP at a larger company in Illinois that still isn't big enough to afford to run broad reach campaigns targeting the masses. **"Digital ad tools have helped us be more efficient and compete. We use personalized ads extensively to match the ad content and messaging to our target buyers. Without this, our ads will be less effective and more costly."**

And another SMB owner from the District of Columbia noted, "We'd probably have to stop marketing if we couldn't measure our ads' effectiveness. In turn, we'd have fewer subscribers and less revenue."

The Impact on US Advertisers

According to our study, banning personalized ads would negatively impact nearly half of large US advertisers and two in five SMBs. As noted above, difficulties in reaching specific audiences in a cost-effective way are one negative impact, but for the majority of companies, the effects are farther-reaching.

Three in 10 US SMBs said their overall revenue would decrease as a result of no longer being able to use personalized digital ads in their advertising strategy, with one in five large advertisers saying the same.



Roughly one in five SMBs and large advertisers also said they expected their marketing costs would increase, and a third said they would likely have fewer leads and lower sales.

As sales and revenue decrease, advertisers will be forced to offset losses in ways that will have impacts on their employees and customers. Nearly two-thirds of large US advertisers would be forced to raise prices to increase revenue without personalized ads, and half of US small businesses would be forced to do the same. A third or more of all US advertisers would also be forced to reduce the number of products and services they offer.

The above would leave SMBs and large advertisers with difficult decisions to make. Eight out of 10 US SMBs anticipate needing to cut costs if personalized ads were banned, with nine in 10 larger advertisers anticipating similar moves. One in five SMBs said they would look to lay off staff or reduce headcount, with one in four large advertisers reporting the same. One in five SMBs would also be forced to shut down their businesses, with one in six larger advertisers anticipating similar actions. In some states, these numbers are even higher, with nearly half of Virginia SMBs reporting they would need to lay off staff or close down without personalized digital ads.

US advertisers and publishers will face increased costs associated with complying with state-level standards. Small businesses in particular will find it extremely difficult to keep pace with all of the changes in policy and the varying state-by-state requirements. The financial investment companies will need to make in order to hire consultants, lawyers, and developers to interpret and implement the changes at their firms will also have an impact on their overall bottom line.

Apart from the financial strain, advertisers and publishers will also need to devote a greater number of resources and attention to the systems and tools that house and store all of their customer data. Once again, SMBs will be especially challenged to invest in expensive technologies or added headcount to properly manage these practices to mitigate the risk of lack of compliance.

The Impact on Publishers

US publishers anticipate a more acute impact to their businesses should personalized digital ads be banned. Over 60% of large publishers warn that banning personalized ads would negatively impact their revenue, ad sales, and overall business. Publishers also anticipate this change would have a negative effect on their bottom lines. According to our study, banning personalized ads would cost 65% of US publishers over a quarter of their annual revenues.



“We know that personalized ads drive engagement and therefore results,” said one small publisher. **“If personalization went away (or any of the data sets or ability to collect data that is leveraged to personalize ads), our business would suffer.”**

“As we're getting top dollar/higher eCPM for the personalized ads/targeting, we'll make less without personalized ads,” remarked a larger publisher with \$1B to \$5B in annual ad revenue.

Similar to US advertisers, publishers will adjust business and monetization strategies in order to recoup lost ad revenues. The most common strategy: adding paywalls or increasing the number of ads. Forty-five percent of small publishers would implement paywalls or move to subscription models if personalized ads were banned, and 68% of small publishers would increase the number of ads they show to consumers if personalized ads were banned.

Like for US advertisers, revenue reductions for publishers would have trickle-down effects on their business practices. Three in five US publishers said they would have to resort either to layoffs or producing less content in order to combat the effects of a lack of personalized ads. More than half would have to reduce non-essential business expenditures, such as travel and employee perks. About two in five (37%) small publishers would face layoffs or closure without personalized ads, with 42% of larger publishers reporting the same.

For publishers, many of these effects ultimately lead to less vibrant businesses producing less content that's less accessible. More paywalls and more ads may result in reductions in readers and subscribers, which further necessitate cutting costs or head count. Like advertisers, publishers will face costs associated with implementing the necessary technology and tools required to obtain user consent and properly store and use data to comply with the various state-level statutes.

The Impact on Consumers

All of these changes and adjustments will have serious implications for readers and viewers of digital content beyond the obvious impact of less-relevant advertising and content. For one, increased business costs will inevitably be passed on to consumers, now forced to pay more for goods and services. People are also likely to see less choice in products and services as businesses are forced to cut back their portfolios and offerings.

Fewer accessible content options are another real implication of banning personalized digital ads, as publishers will inevitably be forced to erect paywalls or charge for their content in other manners. Limited access to free content means limited access to credible news and information that people depend on. Finally, the closing of businesses and layoffs to staff would directly impact jobs and the well-being of local communities.

Reaching Audiences and Measuring the Results: Different Use Cases for the Same Data

While the bulk of this report has focused almost exclusively on the importance of personalized digital ads for reaching audiences, the same data used for that purpose is equally important for measuring the effectiveness of advertising practices.

“Measuring how effective our digital advertising is is crucial for our business. It's like having a roadmap—it helps us know if we're heading in the right direction or if we need to change course,” said one department head at a larger business in Illinois. **“Without this measurement, it's like driving blindfolded; we're spending money on ads without knowing if they're reaching our customers or driving sales. Understanding what's working helps us make smarter decisions, like where to focus our budget or how to better connect with our audience. In today's competitive market, having this insight gives us an edge—it's like having a secret weapon that helps us stay ahead of the game.”**

Our study found ad measurement tools are critical for maximizing ad budgets, according to almost all (99%) large brands, with over 40% of US small businesses believing their overall success depends on measuring ad effectiveness.

“Without the ability to measure the effectiveness of my campaigns, it would be difficult to determine which marketing channels are most effective, and where to allocate my budget in the future,” said a manager of an SMB in Georgia. **“Without the ability to measure my campaigns, I would have less data to guide my decision-making, which could lead to poor strategic choices. Finally, a lack of measurement would make it difficult to track progress over time, which could have a negative impact on my company's long-term goals.”**

Limiting the use of personalized digital ads makes it harder to reach audiences and harder to determine whether a business's advertising efforts were effective. If publishers and advertisers do not have the ability to use audience info to personalize their content or ads, they will have to make their money work even harder to reach the people they care about. But they will have limited intel as to whether or not they actually reached them. This is the circular effect of banning or severely restricting the use of personalized digital ads that leaves publishers and advertisers in less control of their revenue and customer relationships.

Considerations for Moving Forward

Personalized digital ads benefit advertisers and publishers of all sizes in the US. They are an important tool for driving increased revenue, finding new customers, and engaging with existing customers in a more relevant and authentic way. And the data behind personalized ads is necessary to measure whether a company's ad dollars are actually driving its success.

The types of data that businesses have access to has expanded, necessitating proper guardrails for what data and information companies can collect and use for all of their business practices, including personalizing their advertising and content experiences.

Consumer privacy is at the epicenter of this discussion, and for good reason. People have a legitimate interest in what information publishers and advertisers collect about them, how they use it, and whom they share it with. Equally important: They should have the ability to consent to these practices and the right to opt out of them.

While today state-level legislation is offering consumers some protection, the patchwork of regulations makes it very difficult for advertisers and publishers to understand and comply with every rule. For publishers and advertisers, this means a greater investment in technologies, tools, and experts required to do so, including time and resources. For consumers, it provides some control, but it also has the potential to limit the level of relevance of the ads and content they see and leads to potential confusion about different practices in different states. Over time, it can also lead to higher prices for goods and services, less free access to online content and even negative impacts to local communities as SMBs are forced to scale back their offerings or close. A clear federal standard that puts publishers, advertisers and consumers on a level playing field nationwide, with a proper balance between the interests of all parties, is needed. Such a standard will solve the problems outlined above and provide a framework for personalized digital advertising to continue benefiting advertisers, publishers, and consumers throughout the country.

Advertiser Perceptions

Created in partnership with:



Connected Commerce Council



About Advertiser Perceptions

Advertiser Perceptions is the leader in providing research-based strategic market intelligence to the complex and dynamic media, advertising, and ad tech industries. Our curated, proprietary AdPROs Network and deep relationships with the largest advertisers provide clients with an unbiased view of the market, their brand, and the competition. Our experts provide timely and actionable guidance enabling clients to improve their products and services, strengthen their brands, and drive more revenue.