Behavioral Ad Targeting Not Paying Off for Publishers, Study Suggests

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A new study suggests suggest publishers only get about 4% more revenue for an ad impression that has a cookie enabled than for one that doesn't. Photo: Damian Dovarganes/Associated Press

Are creepy advertisements really necessary to support the free web?

A new academic study suggests they aren't.

Behavioral advertising, which involves collecting data about readers' online behavior and using it to serve them specially tailored ads, often through bits of code called cookies, has become the dominant force in digital advertising in recent years.

But in one of the first empirical studies of the impacts of behaviorally targeted advertising on online publishers' revenue, researchers at the University of Minnesota, University of California, Irvine, and Carnegie Mellon University suggest publishers only get about 4% more revenue for an ad impression that has a cookie enabled than for one that doesn't. The study tracked millions of ad transactions at a large U.S. media company over the course of one week.

That modest gain for publishers stands in contrast to the vastly larger sums advertisers are willing to pay for behaviorally targeted ads. A 2009 study by Howard Beales, a professor at George Washington University School of Business and a former director of the Bureau of Consumer Protection at the Federal Trade Commission, found advertisers are willing to pay 2.68 times more for a behaviorally targeted ad than one that wasn't.

Much of the premium likely is being eaten up by the so-called "ad tech tax," the middlemen's fees that eat up 60 cents of every dollar spent on programmatic ads, according to marketing intelligence firm Warc.

The online ad ecosystem is complex and opaque, said Alessandro Acquisti, a professor of information technology and public policy at Carnegie Mellon's Heinz College, who conducted the study along with Veronica Marotta and Vibhanshu Abhishek. It is "hard to understand how much value each participant in the ecosystem is adding to the process, and whether the fees different intermediaries receive are commensurate to their value added," he said.

Publishers' inability to benefit much from behavioral targeting could have implications for policy as lawmakers in Washington, D.C., debate the shape of national privacy legislation. The ad industry is pushing for new federal rules, partly to head off the risk of a state-by-state patchwork of privacy laws, following the passage of California's own privacy regulations.

"It is a huge finding in terms of the policy debate," said Ashkan Soltani, one of the authors of the California Consumer Privacy Act who formerly served as the chief technologist for the FTC. (Mr. Soltani also served as a technical adviser to The Wall Street Journal's 2012 series on privacy, "What They Know.")

"All of these externalities with regard to the ad economy—the harm to privacy, the expansion of government surveillance, the ability to microtarget and drive divisive content—were often justified to industry because of this 'huge' value to publishers," Mr. Soltani said.

The shift toward behavioral targeting has come along with two other trends: the emergence of the Google- duopoly, which in 2018 accounted for 58% of U.S. digital ad spending, according to eMarketer Inc.; and the stalling of digital display ad revenue growth for many digital publishers.

A 2015 report by marketing and e-commerce research firm Econsultancy found that 40% of digital publishers' display ad revenue was stagnant or shrinking. Over the past year, many of the largest digital publishers have been forced to cut staff and explore consolidation as growth has stalled.

Michael Zimbalist, the chief strategy and innovation officer at Philadelphia Media Network LLC who previously spent a decade working in digital advertising at New York Times Co. , argues the value of behavioral advertising to publishers was always misrepresented.

"Behavioral targeting has been completely overhyped in its value for publishers from the day it was first invented," he said.

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