



To ensure GDPR compliance, the advertising ecosystem should consider EU-based vendors

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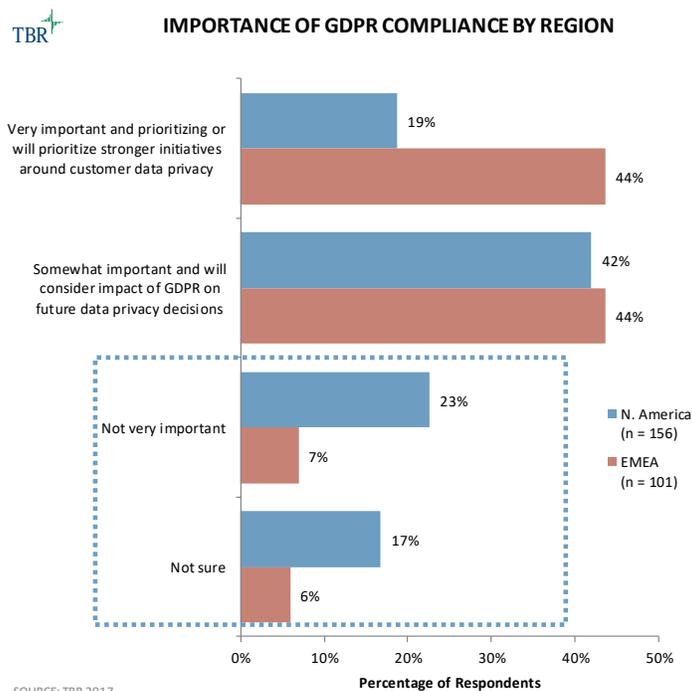
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Impact of GDPR on the data economy will be significant, including fines for noncompliance; over 40% of U.S. companies do not view compliance as priority

The European Union's General Data Protection Regulation (GDPR) is a call to action for enterprises that operate in the digital media ecosystem, including publishers, advertisers and tech vendors. The goal of the legislation is multifaceted; key elements include greater transparency, education and choices for consumers regarding the collection and management of personal data. The GDPR affects enterprises operating in all industries, regardless of whether they consider themselves consumer-facing or data-driven. Even if marketing teams are not actively conducting business in the EU, they are on the hook should engagement and data collection occur in the region. Noncompliance will result in penalties of up to 4% of gross revenue, or €20 million, whichever is greater.

In general, TBR believes consumers are educated on the benefits of cross-device measurement by marketers; however, there is still a knowledge gap regarding what data is collected by which ecosystem players. The long-term value proposition of GDPR is clear from the standpoint of consumers: They receive benefits with minimal effort. However, the opposite can be said for the enterprises: They are required to make changes to processes and technology to be compliant. However, this is a better alternative than ad blockers, which eliminate the opportunity for brand engagement. As enterprises try to keep pace with digital trends and requisite technology investment, change management remains a challenge. With the GDPR deadline approaching, those that take a "sit and wait" approach or focus resources elsewhere may become examples for others as fines are levied. As enterprises navigate new regulations, TBR believes internal executive teams will be well served to add chief privacy officers (CPOs) or appoint data protection officers (DPOs) as the GDPR applies to any organization that processes or stores large amounts of personal data (whether for employees, individuals outside the organization, or both). Alternatively, for companies that are not expressly required to appoint a DPO, or in tandem for the others, enterprises may opt to partner with vendors that maintain deep roots in the EU market, including knowledge of regulations and even relationships with the individual legislators. Companies with legacy businesses in the EU will most likely have a CPO or similar individual in-house.

The GDPR will have a significant impact on enterprises that have a stake (actively or passively) in the data ecosystem. While data security and privacy compliance are separate elements of data management, both are integral to GDPR compliance. Some organizations are taking the changes more seriously than others. Based on TBR's *1Q18 Digital Marketing Services & Technology Customer Research Topical Report*, 23% of enterprises in North America view GDPR compliance as "not very important," while 17% are "not sure" about compliance. This compares to only 7% and 6%, respectively, among European peers. These findings indicate North American enterprises (incorrectly) consider themselves shielded by the fact that they do not deal directly with EU citizens.

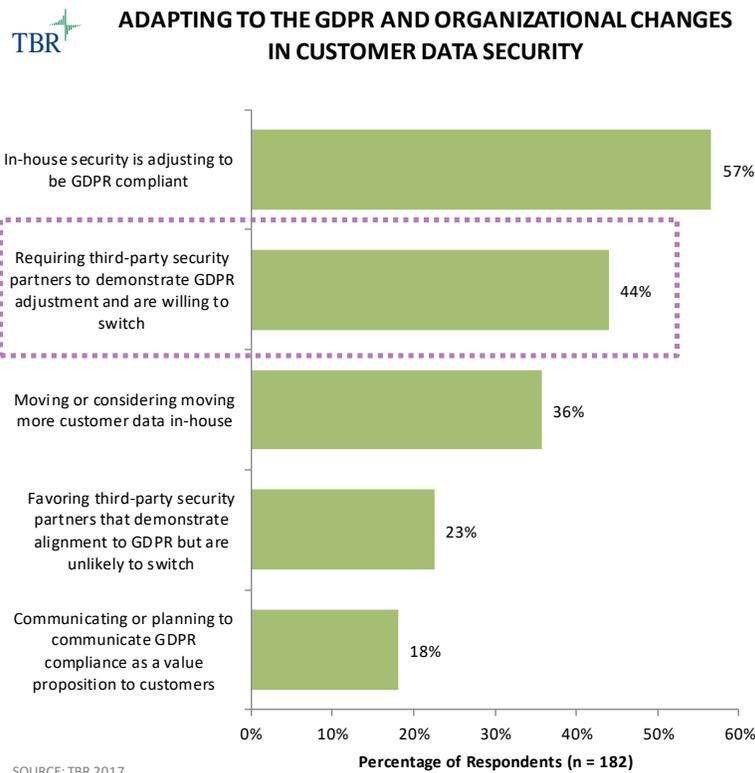


The updated data privacy law changes how information on consumers can be used by marketers, publishers and technology vendors. If these entities collect or store consumer data in the EU, they may be deemed as *controllers* or *processors* of data, meaning they must comply with the GDPR. Even if their consumers are only in the EU, European and non-European enterprises alike must obtain consent or risk fines if they target the EU market during their regular activities. Additionally, while it may already be the case in most EU member states, the GDPR clarifies that effective May 25, cookie and device IDs will be considered personal data across the entire EU and that consumers must be informed data collection is occurring and be given the opportunity to make choices about data collection, use and retention. These evolutions are significant, given the wide range of ways engagement can occur between brands and consumers, including through owned media and paid media, multiple digital devices, and websites, mobile sites and mobile apps.

Security and privacy underpin the GDPR; EU-centric ad tech vendors can take advisory roles to ensure compliance while expediting the process

As more consumer data flows through digital platforms, the GDPR covers both the security and privacy aspects of that data. Given the potential impact, ensuring compliance may stretch IT resources thin and move beyond the knowledge base of line-of-business managers. With this in mind, it may be advantageous to partner with a vendor

or solutions provider that understands regional nuances and can demonstrate the capability to address regulatory concerns, such as the EU's GDPR. Per TBR's *1Q18 Digital Marketing Services & Technology Customer Research Topical Report*, 44% of enterprises are requiring partners to demonstrate GDPR compliance and are willing to switch providers if current vendors are unable to address new regulations.



As enterprises ramp investment in digital domains and data-driven marketing, they must now adjust for the GDPR in 2Q18. Given the complexities of the digital media ecosystem, particularly within digital advertising, it is not surprising that such a large percentage of enterprises are looking to third parties for services or solutions that provide GDPR compliance. TBR believes data-centric companies that maintain a global presence are positioned to be GDPR shepherds, particularly those with strong pan-European footprints. While TBR believes multiline vendors Facebook (Nasdaq: FB), Amazon (Nasdaq: AMZN) and Google (Nasdaq: GOOGL) are taking GDPR compliance seriously, they are also too dominant in the eyes of many. Further, some enterprises may view these firms as competitors given the large media businesses they each run. As such, enterprises may opt for independent or media-agnostic partners with robust EU businesses. One such company is Criteo, which has flourished in the EU by understanding regional nuances, languages and data privacy regulations. In addition to understanding the GDPR, firms such as Criteo maintain long-standing relationships with the creators and enforcers of the regulation, a valuable perspective for companies that are seeking guidance and want to mitigate the risk of noncompliance, as well as any slowdown in operations.

Overview of GDPR

On May 25, 2018, the EU's GDPR will take effect. It will update the previous consumer data privacy and protection directive that was created 20 years ago. The move comes at a time when enterprises are data-hungry, seeking to capitalize on digital touchpoints with consumers as they engage with brands across multiple digital devices.



Consumer empowerment and control over personal data underpins the GDPR; consumers must be notified when cookies, device IDs or other proxies are being used to measure online engagement. European Parliament and the European Council discussed the topic for over four years and determined fines for noncompliant companies will be up to 4% of gross revenue, or €20 million, whichever is greater.

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