



TAILORED ADVERTISING POWERS THE ROBUST DIGITAL MEDIA INDUSTRY:

**Benefiting
Small Businesses,
Publishers, Society
and Consumers**

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Tailored Advertising Powers the Robust Digital Media Industry, Benefiting Small Businesses, Publishers, Society and Consumers

Tailored advertising is the most widely utilized type of digital advertising because it maximizes the relevance and effectiveness of campaigns by tailoring the ads consumers see based on websites they visit, products they search for, and apps they use. For decades, tailored advertising has been an essential driver of the free and open internet, where paywalls are not widely used, and subscription services are still vastly outnumbered by free sites and apps.

The following findings highlight the benefits of tailored advertising for small and medium-sized businesses, publishers, society, and consumers. Tailored advertising is essential for maintaining a robust, competitive internet marketplace that serves both established and new businesses by helping them engage with existing customers and reach new audiences.

I. Tailored Advertising Benefits Small Business Advertisers

Tailored Advertising Eases Market Entry for Small Businesses

For many companies, tailored advertising is the most cost-effective method to enter the market as it helps companies of all sizes reach customers who are most likely to interact with their ads and be interested in their products. Tailored advertising is particularly beneficial for small business advertisers—those without a dedicated ad-sales team, working with limited marketing and ad budgets—in competition with dominant, vertically integrated sellers. For example, AdAge found 104 multi-service and 31 smaller digital ad agencies, with average revenues of \$4M and \$49.9M, respectively. This shows how tailored advertising helps smaller agencies stay competitive.¹ Those smaller businesses would be negatively affected if they were unable to use tailored advertising. A study of advertising on Meta found that for a small business, the acquisition cost per customer would rise from \$38.16 to \$49.93—a 31 percent increase—while larger businesses would see a smaller increase, which indicates that “small-scale advertisers are hurt much more by a loss of offsite data than are large-scale advertisers [...]”.² Tailored advertising facilitates competition by optimizing the resources of small businesses to help them scale, leveling the playing field and allowing them to more effectively compete with large companies.³

Direct-to-consumer (D2C) companies, and other small, newly formed businesses serving specific customer bases are particularly dependent on tailored advertising due to the nature of their business models and their dependence on reaching niche audiences via the internet. Using only contextual advertising, these companies would suffer, as they would be unable to reach their target consumer base efficiently. Over 90 small businesses signed a letter to the FTC from Internet

¹ IAB, *MEASURING THE DIGITAL ECONOMY: Advertising, Content, Commerce, and Innovation* 66-67 (2025), https://www.iab.com/wp-content/uploads/2025/04/Measuring-the-Digital-Economy_April_29.pdf.

² Nils Wernerfelt, et al., *Estimating the Value of Offsite Tracking Data to Advertisers: Evidence from Meta* 268-270 (Marketing Science 2025 44:2, 268-286), <https://pubsonline.informs.org/doi/10.1287/mksc.2023.0274>.

³ See generally *Bates v. State Bar of Arizona* 433 U.S. 350, 364 (1977) (“[C]ommercial speech serves to inform the public of the availability, nature, and prices of products and services, and thus performs an indispensable role in the allocation of resources in a free enterprise system.”); *California Dental Ass’n*, 121 F.T.C. at 296 (1996) (“We believe in the basic premise, as does the Supreme Court, that by providing information advertising serves predominantly to foster and sustain competition, facilitating consumers’ efforts to identify the product or provider of their choice and lowering entry barriers for new competitors.”).

for Growth, arguing that the elimination of third-party tailored advertising “could be devastating for many small businesses – and the millions of Americans they employ[...],” and that “[p]olicy changes of [this scale] would fundamentally remake the ad-supported digital economy,”⁴ which accounts for 18% of GDP and 28.4 million jobs.⁵

Economic Competition Benefits from Tailored Advertising

Tailored advertising is essential for small businesses to compete with large mainstream sellers with larger, more robust advertising budgets.⁶ A 2025 report shows that smaller and specialized ad agencies generated \$5.96B in internet revenue while employing nearly 28,000 U.S. workers, showcasing their integral role in sustaining the digital economy.⁷ A 2022 survey of small businesses found that 70 percent invest in tailored advertising, with 54 percent planning to increase their current spending, citing a wide range of benefits.⁸ Compared to larger-scale advertisers, small business advertisers rely more heavily on tailored ads, and they would be disproportionately hurt by the loss of third-party data used for ad measurement and optimization.⁹ A 2022 study highlights that 69 percent of small and medium advertisers would not have been able to launch or sustain their business without tailored ads. Polled advertisers also stated that a prohibition of tailored advertising would hurt their business.¹⁰ Small businesses experienced a 22.3% reduction in customer orders and 39.4% less revenue over 18 months when they were not able to use tailored advertising anymore.¹¹

Tailored Advertising Is More Cost Efficient and Boosts Revenue

Tailored advertising contrasts with the contextual advertising model, where the same businesses would need to spend a higher percentage of their budget on advertising to a broader set of consumers, many of whom are less likely to find the information relevant to them and eventually become customers.¹² Tailored advertising also allows small businesses to maximize the efficiency of their ad spending on promotions to specific audience segments more interested in their products. Data shows that small businesses utilizing tailored advertising are 16 times more likely to report sales growth as opposed to competitors who do not.¹³ The importance of tailored

⁴ Fed. Trade Comm’n, Comment Letter on the ANPR on Commercial Surveillance and Data Security at 2 (Nov. 10, 2022), https://internetforgrowth.com/wp-content/uploads/2022/11/I4G-sign-on-letter_FINAL_11.10.22.pdf.

⁵ IAB, *supra* note 1, at 8.

⁶ UK Competition & Markets Auth., *Online Platforms and Digital Advertising: Market Study Final Report* 61-62 (2020).

⁷ IAB, *supra* note 1, at 67.

⁸ Anna Peck, 2022 *Small Business Advertising Report*, Clutch (Mar. 16, 2022), <https://clutch.co/visualobjects/advertising/blog/small-business-advertising-2022>.

⁹ Wernerfelt, *supra* note 2, at 4.

¹⁰ DataCatalyst, *The Value of Digital Ads for Small Businesses: National Survey of SMB Leaders*, at 12 (2023), <https://datacatalyst.org/wp-content/uploads/2023/01/The-Value-of-Digital-Ads-For-Small-Businesses-National-Survey-of-SMB-Leaders-13Jan2023.pdf>.

¹¹ Guy Aridor et al., *Evaluating the Impact of Privacy Regulation on E-Commerce Firms: Evidence from Apple’s App Tracking Transparency* 13-4 (Dec. 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4698374 (last visited Feb. 27, 2025).

¹² Austl. Competition and Consumer Comm’n, *Digital Platforms Inquiry Final Report* 1 (2019), <https://www.accc.gov.au/system/files/Digital%20platforms%20inquiry%20-%20final%20report.pdf>; Jean-Pierre Dubé et al., *The Intended and Unintended Consequences of Privacy Regulation for Consumer Marketing* 17 (2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4847653.

¹³ Deloitte, *Dynamic Markets: Unlocking small business innovation and growth through the rise of the personalized economy*, at 2 (2021),

advertising is further highlighted by a 2024 study, which found that firms reliant on big platforms experienced a 37.1% relative revenue decline without tailored advertising, with small businesses being the most affected.¹⁴

Direct-to-Consumer Brands Experience Growth with Tailored Advertising

Direct-to-consumer (D2C) brands—companies that sell products directly to customers online, bypassing storefronts, wholesalers, and third-party retailers—comprise an important and growing segment of the e-commerce marketplace. These businesses help lower costs for consumers by reducing supply chain expenses.¹⁵ The D2C market has been estimated to be worth nearly \$200 billion in 2024, doubling in size since 2020.¹⁶ This business model is revolutionary for its ability to provide high-quality goods and services to niche segments of consumers interested in diverse products and services not otherwise available from mainstream businesses.¹⁷ Due to their business model, these companies depend on reaching their audiences online, and therefore rely on data-driven advertising. Without tailored advertising, they would struggle because they could only reach potential customers through a limited number of sites and services aligned with their niche products. Tailored advertising is essential for D2C brands to compete with large mainstream sellers despite having limited advertising budgets.

II. Tailored Advertising Benefits Small Publishers

Tailored Advertising Produces More Revenue than Alternative Forms of Advertising

For publishers, providers of digital content and services, and other sites that offer ad space for purchase, tailored advertising is extremely important. By using data to provide ad placements that are more likely to reach a business's target audiences, publishers are able to sell these placements for a premium.¹⁸ This often means publishers can show fewer ads and decrease the need for paywalls to fund their content, thus improving user experience and reducing irrelevant ads. Not only is tailored advertising more relevant, interesting and engaging for consumers, it is also more valuable for funding publishers and digital service providers compared to other types of advertising.¹⁹ Research consistently demonstrates the increased value of tailored advertising over traditional digital ads for publishers and digital content providers. Data suggests that the inability to serve tailored advertising to consumers results in a decrease in publisher revenue of 52 percent in monetizing ad inventory.²⁰ These economic implications are even more pronounced among

<https://internetforgrowth.com/wp-content/uploads/2022/11/Deloitte-Dynamic-Markets-Small-Business-Through-the-Rise-of-the-Personalized-Economy.pdf>.

¹⁴ Aridor et al., *supra* note 11, at 3-4.

¹⁵ Naeun Lauren Kim, et al., *Determinants of consumer attitudes and repurchase intentions toward direct-to consumer (DTC)*, Fashion & Textiles, Dec. 2021, at 4.

¹⁶ Koen van Gelder, *D2C e-commerce in the United States - statistics and facts*, Statista (Mar. 28, 2024), <https://www.statista.com/topics/12158/d2c-e-commerce-in-the-united-states/#topicOverview>.

¹⁷ Gennaro Cuofano, *Consumer-to-manufacturer (C2M) Business Model*, FourWeekMBA (June 30, 2024), <https://fourweekmba.com/consumer-to-manufacturer-c2m/>.

¹⁸ Veronica Marotta, et al., *The Welfare Impact of Targeted Advertising 4* (Heinz Coll., Carnegie Mellon Univ., Working Paper, 2021).

¹⁹ Simone Aiolfi, et al., *Data-driven digital advertising: benefits and risks of online behavioral advertising*, 49 Int'l J. of Retail & Distrib. Mgmt. 1089, 1105 (2021).

²⁰ Garrett A. Johnson, et al., *Consumer Privacy Choice in Online Advertising: Who Opt's Out and at What Cost to Industry?*, 39 Mktg. Sci. 1, 25 (2020); Garrett Johnson, *Comment Letter on Trade Regulation Rule on Commercial Surveillance and Data Security* (Oct. 24, 2022), <https://www.regulations.gov/comment/FTC-2022-0053-0680>.

news publishers, as one study concluded that news publishers that are serving ads without using browser cookies—often an essential technical component of serving tailored ads—generate 62 percent less revenue.²¹ Prior research also indicates that news and general content websites are less likely to earn similar revenue while using only contextual advertising,²² and that cookies are especially valuable for smaller publishers lacking other user data.²³ While this research is based on the use of third-party cookies, it speaks more generally to the value of third-party data to more effectively target ads to their users.

Tailored Advertising Fuels Publisher Growth and Content Accessibility

Online consumers have consistently been resistant to subscriptions and content paywalls and show conflicting attitudes when it comes to paying for online services that are currently available for free. In 2024, only 22 percent of Americans paid subscription fees for online (news) content while 56 percent said they are not willing to pay for this kind of content.²⁴ This highlights the contradiction between consumers' sentiments and publishers' revenue interests.²⁵ Additionally, a paywall-based model restricts access to online content for a large number of consumers, as those willing to pay subscription fees are generally wealthier (also see section IV. Consumers).²⁶

While contextual advertising has been demonstrated to generate greater revenue than random advertising, it has not demonstrated the capability of generating the same amount of revenue as tailored advertising.²⁷ Most publishers therefore continually rely most heavily on tailored advertising, which directly benefits consumers by making their products and services more cost effective or even free of charge.²⁸

Tailored Advertising Promotes a More Robust, Competitive Marketplace

Tailored advertising particularly benefits smaller publishers and app providers who lack the resources to negotiate directly with larger advertisers.²⁹ Small businesses can rely on ad-tech companies to make their ad inventory available to a broad array of advertisers interested in displaying ads based on consumer interests rather than only on the content the ads will appear alongside. This is crucial for sites that specialize in a specific or narrow set of topics without a clear commercial purpose, allowing them to serve their customers with a wide range of relevant ads for

²¹ Deepak Ravichandran & Nitish Korula, *Effect of disabling third-party cookies on publisher revenue*, Google at 2 (Aug. 27, 2019), https://services.google.com/fh/files/misc/disabling_third-party_cookies_publisher_revenue.pdf.

²² *Id.*; Avi Goldfarb & Catherine E. Tucker, *Privacy Regulation and Online Advertising*, 57 *Mgmt. Sci.* 57, 57–71 (2011), <https://doi.org/10.1287/mnsc.1100.1246>.

²³ Howard Beales & Jeffrey Eisenach, *An Empirical Analysis of the Value of Information Sharing in the Market for Online Content* at 1, *Navigant Econ.* (Apr. 8, 2014), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2421405.

²⁴ Nic Newman, et al., *Reuters Institute Digital News Report*, Reuters Inst. for the Study of Journalism 49-51 (2024), https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2024-06/RISJ_DNR_2024_Digital_v10%20lr.pdf.

²⁵ IAB, *The Free and Open Ad-Supported Internet* 10 (2024), <https://www.iab.com/wp-content/uploads/2024/01/IAB-Consumer-Privacy-Report-January-2024.pdf>.

²⁶ Laura Hazard Owen, *Even people who like paying for news usually only pay for one subscription*, NiemanLab (June 11, 2019), <https://www.niemanlab.org/2019/06/even-people-who-like-paying-for-news-usually-only-pay-for-one-subscription/>.

²⁷ Daniel Castro, *No, Contextual Advertising Is Not a Substitute for Targeted Advertising*, Center for Data Innovation (Nov. 29, 2021), <https://datainnovation.org/2021/11/no-contextual-advertising-is-not-a-substitute-for-targeted-advertising/>.

²⁸ *Id.*

²⁹ Thomas Poell, et al., *Spaces of Negotiation: Analyzing Platform Power in the News Industry*, 11 *Digit. Journalism* 1391, 1393 (2022).

products and services that do not relate directly to their niche content. Curtailing the use of tailored advertising would likely have a compound effect on the marketplace, driving many smaller publishers and advertisers out of business while shoring up the market position of the larger and dominant platforms. This would likely also lead to less digital content options for consumers, as well as additional increases in digital ad-pricing on dominant platforms as the only avenue to reach wide and diverse audiences.³⁰

A broad shift away from tailored advertising would deprive publishers, particularly small and medium-sized news organizations, of critical insights and much-needed revenue at a time when monetizing digital content is increasingly difficult due to consumers' general unwillingness to pay subscription fees for these services.³¹ This burden falls disproportionately on smaller publishers lacking network effects to entice paid subscribers or alternative revenue strategies.³²

III. Tailored Advertising Benefits Society

Public Welfare Benefits from Tailored Advertising

In May of 2023, the U.S. Department of Homeland Security (DHS) launched a targeted digital advertising campaign aimed at South and Central American countries to spread awareness of U.S. immigration laws, prevent people from putting their lives at risk by illegally crossing the border, and encourage them to use lawful pathways to immigration.³³ In 2022 the U.S. Customs and Border Protection (CBP) also launched a digital advertising campaign in Honduras and Guatemala to warn potential migrants about smugglers who might exploit vulnerable populations.³⁴ This campaign demonstrates an important and valuable application of tailoring advertising for public benefit.

Public Health Benefits from Tailored Advertising

Millions of Americans benefit from data-driven health advertising on a daily basis. These range from minor impacts on Americans' lives, such as educational messaging about medications, to potentially life-saving effects, such as raising awareness of symptoms and treatments. Among those who saw breast cancer ad campaigns, 78 percent said they were likely or very likely to discuss screening with their doctors.³⁵ Additionally, patients exposed to tailored ads about the risk of breast cancer underwent diagnostic screenings at higher rates and sooner than control

³⁰ Advertiser Perceptions, *Digital Advertising: Balancing Regulation and Growth Opportunities for American Businesses* 6-9 (2024),

https://www.advertiserperceptions.com/wp-content/uploads/2024/06/Digital-Advertising-Balancing-Regulation-and-Growth-Opportunities-for-American-Businesses_June-2024-Final.pdf.

³¹ UK Competition & Markets Auth., *supra* note 6, at 43-419.

³² *Id.*

³³ Dept. of Homeland Sec., *DHS Launches Digital Ad Campaign to Counter Smuggler Lies: U.S. Immigration Laws are Tougher, Impose Consequences for Illegal Entry* (May 10, 2023), <https://www.dhs.gov/archive/news/2023/05/10/dhs-launches-digital-ad-campaign-counter-smuggler-lies>.

³⁴ U.S. Customs & Border Prot., *CBP Launches Digital Ad Campaign "Say No to the Coyote" to Warn Migrants About Smuggler Lies* (May 11, 2022), <https://www.cbp.gov/newsroom/national-media-release/cbp-launches-digital-ad-campaign-say-no-coyote-warn-migrants-about>.

³⁵ Jackie Drees, *Patients value personalized health content—here's what to know*, Phreesia Life Sciences, <https://lifesciences.phreesia.com/blog/patient-engagement/patients-value-personalized-health-content-heres-what-to-know/> (last visited Feb. 6, 2025).

groups.³⁶ People aged 50-80 with a history of smoking were more than twice as likely to get screened for lung cancer after seeing the campaign compared to a control group that did not see it.³⁷ 52 percent of patients who engaged with a public service campaign about Alzheimer's said they were likely or very likely to talk to doctors about the condition after seeing it.³⁸ 87 percent of patients who saw content about managing high blood pressure said they were somewhat or very likely to talk to their doctor about it.³⁹

Amid the COVID-19 pandemic in April 2021, the Department of Health and Human Services (HHS) launched the "We Can Do This" public education campaign to boost confidence in and uptake of available COVID-19 vaccinations. The digital portion of the campaign conducted tailored advertising based on factors such as age or (general) location.⁴⁰ At its conclusion, HHS determined that the ads led to increased awareness of COVID-19 vaccines, higher vaccination rates, and fewer COVID-19 cases, hospitalizations and deaths. Prior to the campaign 50 percent of White participants, 40 percent of Latino participants, and 30 percent of Black participants had received their first vaccination. Post-campaign, vaccination rates increased to 75 percent for White participants and 80 percent for both Latino and Black participants.⁴¹ A 2022 study on the efficacy of the public education campaign concluded that the campaign "saved more than 50,000 lives and prevented hundreds of thousands of hospitalizations and millions of COVID-19 cases, representing hundreds of billions of dollars in benefits in less than one year. Findings suggest that public education campaigns are a cost-effective approach to reducing COVID-19 morbidity and mortality."⁴² Without the use of tailored advertising in the digital campaign, many Americans in these audiences may not have been exposed to the HHS campaign messaging.

Public Safety Benefits from Tailored Advertising

In 2018, the "End Family Fire" campaign was launched which focused on raising awareness about the importance of keeping guns securely stored, especially in homes with children or individuals at risk of self-harm to prevent firearm accidents as well as suicides by promoting safe firearm storage. The campaign used digital ads to reach its core target audience and reported high success rates.⁴³ Gun owners are "5x more likely to seek information about safe storage, and nearly half

³⁶ Andrew Burkus & Hayley Howard, *Driving Early Detection: The Impact of Digital Point-of-Care Messaging on Breast Cancer Screening Rates 4* (Iqvia Digit., 2025).

³⁷ Drees, *supra* note 35.

³⁸ Phreesia, *Phreesia and Ad Council Partnership Yields High Engagement in Alzheimer's Awareness Campaign* (Apr. 21, 2021), <https://www.phreesia.com/news/phreesia-and-ad-council-partnership-yields-high-engagement-in-alzheimers-awareness-campaign/>.

³⁹ Phreesia, *Phreesia and the Ad Council Partnership Drives Strong Engagement Across 3 Public Health Campaigns* (Jan. 26, 2023), <https://lifesciences.phreesia.com/press-releases/phreesia-and-the-ad-council-partnership-drives-strong-engagement-across-3-public-health-campaigns/>.

⁴⁰ Sidney Turner, et al., *Benefit-Cost Analysis of the HHS COVID-19 Campaign: April 2021–March 2022*, 67 Am. J. of Preventative Med. 258, 258 (2024); Fors Marsh, *Study: Fors Marsh-Led COVID-19 Public Education Campaign Saved Thousands of Lives, Billions of Dollars* (July 29, 2024), <https://www.forsmarsh.com/2024/07/29/study-fors-marsh-led-covid-19-public-education-campaign-saved-thousands-of-lives-billions-of-dollars/#:~:text=In%20comparison%2C%20it%20cost%20%24377.cost>.

⁴¹ Joseph N. Luchman, et al., *Association Between the United States Department of Health and Human Services' COVID-10 Public Education Campaign and Initial Adult COVID-10 Vaccination Uptake by Race and Ethnicity in the United States*, 2020-2022, 25 Health Promotion Prac. 602, 606 (2024).

⁴² Turner, *supra* note 40.

⁴³ Shorty Awards, *FROM THE 11TH ANNUAL SHORTY AWARDS: END FAMILY FIRE*, <https://shortyawards.com/11th/end-family-fire/#:~:text=Strategy%20and%20Execution,the%20home%20makes%20us%20safer>. (last visited, Feb. 6, 2025).

begin storing their weapons more safely” after seeing “End Family Fire” ads.⁴⁴ In 2023, over 36 million suspected child sexual exploitation cases were reported, more than twice the number reported in 2019.⁴⁵ Multiple campaigns have been launched to prevent child exploitation and educate the public about this issue. In 2024, the DHS launched the “Know2Protect” national public awareness campaign, which aims to educate and empower children, teenagers, their parents/legal guardians, trusted adults, and policymakers to fight against child exploitation, in partnership with public sector organizations such as the U.S. Olympic & Paralympic Committee, Boy Scouts of America, as well as private-sector companies including Google, Meta, Snap and Roblox.⁴⁶

IV. Tailored Advertising Benefits Consumers

Consumers Prefer Ads Tailored to their Interests

Research suggests that 88 percent of consumers prefer seeing ads for products or services they are interested in shopping for, rather than unrelated ads. Additionally, 87 percent of consumers report being more likely to engage with ads that align with their interests. These findings highlight the value of ad relevance: consumers generally want to see ads that matter to them.⁴⁷

Tailored advertising helps marketers reduce media waste by improving the likelihood that their paid content will be better aligned with consumers’ preferences, purchasing behavior, and interests. This approach helps consumers discover new products they might not have otherwise found and makes shopping more efficient. More than 80 percent of U.S. consumers recognize that advertising funds a free and open internet and agree that exchanging some personal data for access to free content is a fair trade-off.⁴⁸ Personalization enabled by data sharing allows businesses to meet modern customer expectations. In fact, 84 percent of customers say that being treated like a person, not a number, is very important to winning their business.⁴⁹ Tailored advertising helps deliver personalized experiences across the customer’s journey.

The benefits of tailored advertising extend beyond just discovering new products—81 percent of consumers prefer seeing personalized ads from brands they are already loyal to.⁵⁰ Millennials and Generation Z, in particular, have grown up in a digitalized environment where personalization is standard, and their expectations reflect an understanding of the value it provides. Studies show that 67 percent of Millennials and Generation Z expect offers from companies to be personalized,

⁴⁴ Brady United, *Annual Report Fiscal Year 2023* 14 (2024),

<https://brady-2-stage.s3.amazonaws.com/Annual-Report-FY-23-Digital.pdf>.

⁴⁵ Dept. of Homeland Sec., *DHS Launches Know2Protect Public Awareness Campaign to Combat Online Child Exploitation and Abuse With Many Public and Private Sector Partners, including Google, Meta, Snap, Roblox, NASCAR, U.S. Olympic & Paralympic Committee, Boy Scouts of America, National Police Athletic League, and More* (Apr. 17, 2024),

<https://www.dhs.gov/know2protect/news/2024/04/17/dhs-launches-know2protecttm-public-awareness-campaign-combat-online-child>.

⁴⁶ *Id.*

⁴⁷ IAB, *supra* note 25.

⁴⁸ IAB, *Striking the Balance: The Consumer Perspective on Privacy, Preference, and Personalization* 14 (Jan. 2025),

https://www.iab.com/wp-content/uploads/2025/01/IAB_Consumer_Privacy_Report_January_2025.pdf.

⁴⁹ Salesforce Research, *Trends in Customer Trust* 6 (2019),

https://c1.sfdcstatic.com/content/dam/web/en_us/www/documents/briefs/customer-trust-trends-salesforce-research.pdf.

⁵⁰ DataAxle, *Consumer Research Report: Generational Shifts in Marketing Preferences* 5 (2021),

<https://www.data-axle.com/wp-content/uploads/2021/09/Data-Axle-Survey-Report-Shifts-in-Marketing-Preferences-by-Generation-1.pdf>.

and 64 percent are comfortable with companies using relevant data to tailor their experiences.⁵¹ Ultimately, consumers value the convenience and benefits that tailored ads provide, and limiting their availability could make online experiences less relevant and engaging.

Consumers Place a High Value on Digital Media, But They are Unwilling to Pay Enough to Sustain These Services

Consumers place a high value on their online content and services, estimating they would pay \$163.50 per month to keep using those services if they had to. Younger generations place an even higher value on online content and services, with Millennials willing to pay \$176.89, and Generation Z, \$229.14.⁵² Yet, despite this perceived value, most consumers reject the idea of directly paying for these services, preferring the existing ad-supported model.

For decades, the internet has operated on a simple, well-established model: consumers receive access to vast amounts of digital content and services at no cost, supported by advertising funding of media owners' properties. This connection is widely understood: 80 percent of consumers agree that websites are free because of advertising, and 95 percent would rather receive ads than pay for ad-free websites and apps.⁵³ In fact, 78 percent would prefer seeing additional ads rather than being required to pay for access.⁵⁴ As a result, consumers have come to expect and depend on this arrangement, and they react strongly to any shift away from it. 91 percent of consumers would "react negatively, including being frustrated, disappointed, angry, confused, or sad" if they were required to pay for websites and apps they currently use for free.⁵⁵ Subscription-based models have also largely failed to gain traction for the same reason: 56 percent of consumers are unwilling to pay for ad-free news subscriptions, and 30 percent would pay no more than \$5 per month for such subscriptions.⁵⁶ The reality is clear: while consumers value online content and services, they overwhelmingly prefer the current ad-supported model over pay-to-access alternatives.

Ultimately, consumers have expressed their preference: they value the free and open internet as it exists today and reject the idea of paying directly for content they have always received at no cost. The ad-supported internet, powered by tailored advertising, is not only what consumers are accustomed to—it is what they overwhelmingly prefer. Given strong consumer resistance to paid alternatives, tailored advertising remains the most viable and sustainable solution for maintaining free access to the digital economy.

Tailored Ads Secure Accessibility Online

Tailored advertising delivers significant benefits to consumers on both the demand and supply sides. On the demand side, it reduces shopping and product discovery costs, helping consumers

⁵¹ Salesforce Research, *supra* note 49, at 7.

⁵² IAB, *supra* note 25, at 10.

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Id.* at 11.

⁵⁶ Newman, *supra* note 24, at 51.

save at least 3.4% on online purchases—about \$176 per person per year.⁵⁷ On the supply side, it plays a vital role in sustaining free access to digital content, including news, education, and essential online services. The Federal Trade Commission’s (FTC) Bureau of Economics recognized this conclusion in a 2020 paper, noting that economic data suggests tailored ads create consumer surplus by reducing product search costs for both consumers and sellers.⁵⁸ The report emphasizes that ad-driven revenue enables consumers to access valuable digital goods and services at no direct cost. Without tailored advertising, consumers would likely be forced to pay out of pocket, an outcome that would “disproportionally affect more wealth-constrained users, who may end up losing access to these free services.”⁵⁹ This is particularly significant when considering issues of accessibility. A pay-to-access model would create financial barriers for information, disproportionately affecting lower-income individuals who rely on free digital content for news, education, and essential services. The current ad-supported model ensures that everyone, regardless of economic status, can access digital content and services without financial barriers.

V. Conclusion: A Key Driver of a Free and Competitive Digital Economy

Tailored advertising is a cornerstone of the digital economy, ensuring consumers receive relevant and engaging online experiences and sustaining free digital content. Tailored advertising also drives competition and supports small businesses by enabling businesses to efficiently reach their target audiences. Tailored advertising reduces customer acquisition costs, boosts revenue, and fosters a more dynamic and competitive marketplace.

For consumers, tailored advertising enhances the online experience by delivering relevant ads while keeping digital content free. People value online content and the vast majority of users prefer an ad-supported model over having to pay for it. Without tailored advertising, access to free content would diminish, leaving paywalls as the primary alternative—disproportionately affecting lower-income users.

For small businesses, tailored advertising is a lifeline—allowing them to compete with larger firms despite limited marketing budgets. Studies show that eliminating tailored ads significantly raises costs for small advertisers, making it harder for them to acquire customers and sustain growth. For publishers and content creators, tailored advertising provides a vital revenue stream, reducing reliance on paywalls and ensuring the continued availability of free digital content. Research shows that without tailored ads, publisher revenue drops by over 50%, disproportionately affecting smaller publishers that lack alternative revenue sources.

Tailored advertising supports a combined \$27B in U.S. internet revenue and over 72,000 jobs across smaller agencies and ad-tech firms, demonstrating its importance to the digital economy.⁶⁰ Ultimately, tailored advertising sustains a free and open internet, helping businesses grow,

⁵⁷ Daniel Deisenroth et al., *Digital Advertising and Market Structure: Implications for Privacy Regulation*, NBER Working Paper No. 32726 32 (July 2024), <http://www.nber.org/papers/w32726>; Capital One Shopping Research, *Online Shopping Statistics*, (Feb. 11, 2025), <https://capitaloneshopping.com/research/online-shopping-statistics> (last visited, Feb. 26, 2025). (Calculating that the average savings per consumer from tailored advertising is approximately \$176 annually, based on total U.S. online spending of \$1.374 trillion in 2024 and an estimated 266 million online shoppers, with a reported 3.4% increase in costs without tailored ads).

⁵⁸ Fed. Trade Comm’n, *A Brief Primer on the Economics of Targeted Advertising from the Bureau of Economics* (Jan. 2020), <https://www.ftc.gov/reports/brief-primer-economics-targeted-advertising>.

⁵⁹ *Id.* at 11.

⁶⁰ IAB, *supra* note 1, at 66-72.

supporting digital publishers, and ensuring consumers continue to enjoy valuable content and services without added financial burdens.