



SMB ATTITUDES TOWARDS PERSONALIZED ADVERTISING

December 2017

FOREWORD



As online advertising continues to grow, an increasing proportion of the advertising that internet users see has been personalized to some degree.

Personalization in this context means advertising that is delivered to specific individuals based on their online behaviour and personal characteristics. In many ways, this is good news; there is a growing body of evidence that personalized advertising is more effective than other forms of online advertising. For example, Bleier and Eisenbeiss (2015)¹ found that personalization increases click-through especially at an early information state of the purchase decision process.

There has also been some criticism of personalized advertising. One concern is that it is more expensive, and so more likely to benefit

larger companies. There are also concerns from the perspective of consumers who may perceive it as annoying or intrusive. Research conducted in 2009 by Joseph Turow² and colleagues found that two thirds of adult Americans did not want tailored advertisements.

However this report, which is based on research conducted in 2017, shows that it is likely that attitudes have changed, and that consumers today are more accepting of the idea of personalization, especially as they believe it helps small and local businesses compete more effectively. The report also shows that the decision makers in these small and local businesses who have used personalized advertising are enthusiastic about the benefits they have realized, particularly in relation to reaching new customers and driving sales. Decision makers who have not yet used personalized advertising are also broadly positive about the perceived benefits, although this varies by market, with decision makers in EU countries

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being generally less positive than those in the US and Brazil. This market difference is also seen in other research: a 2016 study by Deloitte³ shows that French SMBs have been relatively slow to adopt digital methods of marketing and selling, and are less sophisticated than consumers in France, who are embracing buying and paying online. This can be seen as a missed opportunity for French SMBs, as digitalization has been shown to drive growth for those businesses that have more advanced online strategies by enabling them to compete with larger businesses without the constraints of physical or geographical barriers. As the report shows, businesses who have tried online personalized advertising are much more likely to be positive about it; almost all of those in the study who have tried it plan to continue to use it in the future.

Overall, this study seeks to understand the impact of online personalized advertising on

small businesses and their customers, and has clearly shown that those businesses that have used online personalized advertising are reaping the benefits. Online personalized advertising is good for consumers too in that it may help them discover new local, independent suppliers who may be cheaper, and may also offer more niche products. Additionally, if online personalized advertising helps small and local businesses to grow, they will be able to employ more people, and contribute more to the economy of the country. In summary, the positive results in this report suggest that the growth of this form of advertising should be a cause for optimism for SMB decision makers and consumers in all markets.

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November, 2017*

1. <http://pubsonline.informs.org/doi/abs/10.1287/mksc.2015.0930>. Accessed 8th November 2017.

2. http://repository.upenn.edu/cgi/viewcontent.cgi?article=1138&context=asc_papers. Accessed 8th November 2017.

3. Impact of digitalisation on SMBs in France, Deloitte

EXECUTIVE SUMMARY

This report is based on research conducted in 2017 with decision makers in small and medium-size businesses (SMBs) in the USA, UK, Germany, France and Brazil, together with research amongst consumers in the same markets.

The aim of the research was to explore attitudes towards online personalized advertising – advertising that uses data on how consumers have behaved online to efficiently connect marketers with people who may be interested in their products or services.

Key findings:

Nearly all SMBs that advertise online say that it is important to their businesses (range: 82% DE – 98% BR)

- Among SMBs that use online personalized advertising, the benefits they perceive include:
 - Connecting more effectively with customers (range: 78% UK – 84% FR)
 - Reaching the local community (70% DE – 89% BR)
 - Reaching customers in other markets (59% US – 71% BR)
 - Driving sales (83% FR – 88% DE)
- There is a significant knowledge gap about the value that personalized advertising can provide: decision makers who are using online personalized advertising (advertisers) are more likely to have positive attitudes than those that don't (non-advertisers)
- Businesses that sell to consumers are more likely to have positive attitudes than those that sell only to other businesses.
- Nearly all advertisers intend to continue using online personalized advertising, and around a third of non-advertisers (varies by market) intend to start.

Consumers also see the value that online personalized advertising provides, particularly in Brazil and the US:

- 3 in 4 Brazilian and US consumers like seeing ads from local businesses because they want to support their local communities.
- >70% of consumers in the US, and 80% in Brazil say that personalized ads allow small businesses to compete with larger ones.

Both advertisers and non-advertisers are concerned that stricter privacy laws would be restrictive; advertisers believe that such laws could harm their businesses.

Key conclusions

SMB decision makers and consumers are broadly positive towards online personalized advertising

- Online personalized advertising has great potential to drive growth in small and local businesses
- Those businesses that are not using online personalized advertising may benefit from learning more about it, as they may be missing opportunities.
- As more SMB decision makers are exposed to online personalized advertising, they are likely to see its advantages, which in turn will lead to more extensive use by – and benefits for – small and local businesses in all markets, worldwide.

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INTRODUCTION



New digital sales channels are providing companies with innovative ways to reach their audience by delivering relevant advertising directly to the consumer. This is known as online personalized advertising, and is often achieved by collecting online data about consumers and then using this to efficiently connect marketers with people who may be interested in their products or services. This study sets out to measure the attitudes of decision makers in small and medium businesses (SMBs) towards personalized advertising in the following ways:

- Do attitudes differ among businesses that use online personalized advertising (advertisers) and those that don't (non-advertisers) and, if yes, in what way?
- Among advertisers, has online personalized advertising had an impact on their business and if so, how?
- How do SMBs feel about online personalized advertising compared to other forms of online advertising?
- Do SMBs have any concerns around online personalized advertising?

Methodology

The research was conducted online, using a 15-minute survey, with a panel of business decision makers in the US, UK, Germany, France and Brazil. The fieldwork ran from 7th-16th June 2017. The sample included businesses with 1-250 employees, and the respondents were either sole or shared decision makers of marketing and/or advertising strategy within their company. The data was weighted on size of business to reflect the nationally representative business population of each country.

We interviewed a minimum of 250 respondents in each country, with a minimum of 100 companies in each that use online personalized advertising (advertisers).

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Sample breakdown					
	US	UK	FR	DE	BR
Total sample	251	273	258	271	250
Sole Proprietor	35%	29%	71%	40%	11%
2-10 employees	59%	53%	24%	53%	73%
11-50 employees	5%	16%	4%	6%	14%
51-250 employees	1%	2%	1%	1%	2%
B2C	42%	33%	51%	42%	43%
B2B	22%	32%	12%	23%	21%
Both B2C & B2B	36%	36%	38%	35%	36%

These differences, in the main, are most pronounced between non-advertisers; this suggests that once SMB decision makers have tried personalized advertising, they are likely to react in a similar way, regardless of which country they are in, and that market differences are driven more by assumptions than by experience.

Broadly speaking, there are few significant differences between non-advertisers in the UK, France and Germany, non-advertisers in the US are more likely to give positive responses, and non-advertisers in Brazil are more likely still to be positive.

We can't know exactly why these international market differences exist. However there are cultural, political and technological factors that have an impact in each market, which may explain some of these differences of degree. For example, consumers in Brazil are known to be extremely enthusiastic about using the internet and social media. Recent research⁵ has ranked Brazil as the second-most connected country in the world, with consumers spending an average of 3 hours and 43 minutes on social media every day. Positive responses in the US are also likely to be related to internet use in the region: at 88% of the population, the same study⁶ shows that North America has the highest internet penetration in the world.

Whilst internet penetration is also high in Europe, the EU has more stringent data privacy regulations, including the General Data Protection Regulation which comes into force in 2018, and this may have an impact on attitudes towards personalized advertising, especially amongst those decision makers who have not tried it.

Overall, despite the market differences, what is consistent is that advertisers' responses are typically similar regardless of market, whereas non-advertisers' responses are typically significantly less positive than advertisers' responses, in all markets.

Whilst data at a total level for each country is representative of SMBs by company size, we have chosen to show data for advertisers vs. non-advertisers throughout this report, rather than at a total level, as for most of the questions we asked, advertisers' responses were significantly different⁴ to non-advertisers' responses.

We gave SMB decision makers space at the end of the survey to add their own comments about online personalized advertising; some of these comments can be seen in the report. We have also included some data from a separate study more than 1,000 consumers in each of these markets, which was carried out in order to understand consumers' attitudes to and experience of personalized advertising.

International market differences

Throughout this report, whilst the sentiments expressed by SMB decision makers in each country are similar, there are some differences in the degree of enthusiasm with which they have responded to the various aspects of personalized advertising discussed.

4. In statistical terms, a significant difference between two research results is a difference that is large enough that it's highly likely it didn't arise by chance.

5. <https://wearesocial-net.s3.amazonaws.com/uk/wp-content/uploads/sites/2/2017/01/Slide047.png> Accessed 1st November 2017

6. <https://wearesocial.com/special-reports/digital-in-2017-global-overview> Accessed 1st November 2017

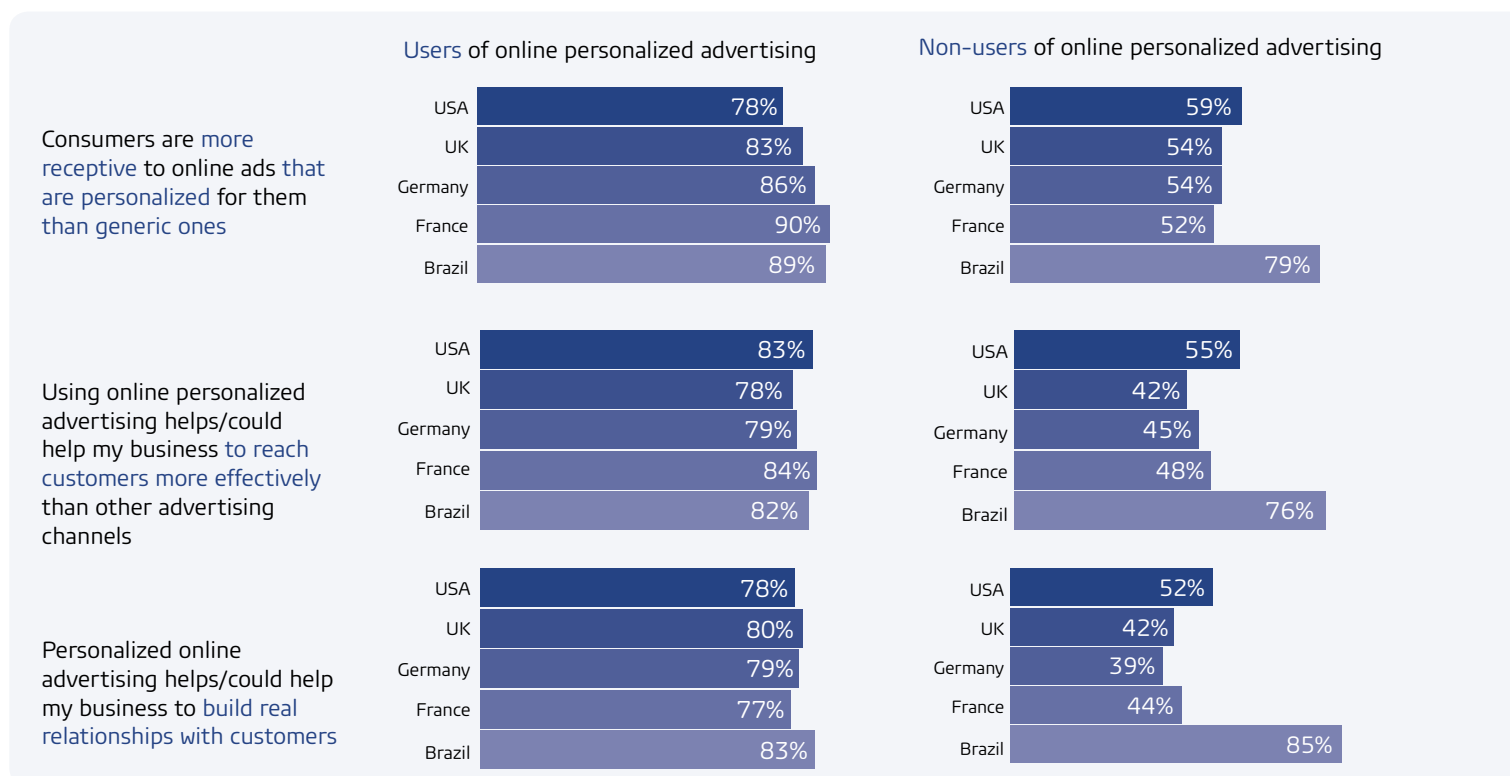
BENEFITS OF PERSONALIZED ADVERTISING

We asked SMB decision makers to tell us the degree to which they agree with a number of statements regarding personalized advertising. We also surveyed consumers in each of the markets, using a separate set of statements. Charts 1-5 and Chart 9 show the proportion who agree 'strongly' or 'somewhat' with each statement, split by advertisers vs. non-advertisers, in the case of SMBs. There are significant differences in most markets, for most statements, between decision makers who have used online personalized ads in their businesses and non-advertisers: advertisers are significantly more likely to agree with each statement.

Better connections

Chart 1 shows that SMB decision makers believe that online personalized advertising can offer a better way of connecting with consumers. In all markets, more than three quarters of advertisers and more than half of non-advertisers agree that consumers are more receptive to online personalized ads than to generic ads, rising to nine out of ten advertisers in France and Brazil. Similar proportions of advertisers agree that online personalized ads help their businesses to reach customers, and to build real relationships. Non-advertisers are slightly less likely to agree with both of these statements but still more than two fifths agree in most markets. These benefits are more tangible for businesses that sell to consumers, than those that sell solely to other businesses: for each of the statements, B2C businesses⁷ were significantly more likely to agree than B2B.

Chart 1: SMBs agree that online personalized advertising can offer a better way of connecting with consumers.



C01. Using the scale provided, please indicate how much your company would agree or disagree with each of the statements. Users (personalized online advertising), Non-users (of personalized online advertising)
Base: US - Total (251), Users (107), Non-users (144); UK- Total (273), Users (100), Non-users (173); DE- Total (271), Users (100), Non-users (171); FRTotal (258), Users (100), Non-users (158); BR - Total (250), Users (161), Non-users (89)

7. Including those that sell both B2C and B2B

BENEFITS OF PERSONALIZED ADVERTISING

New markets

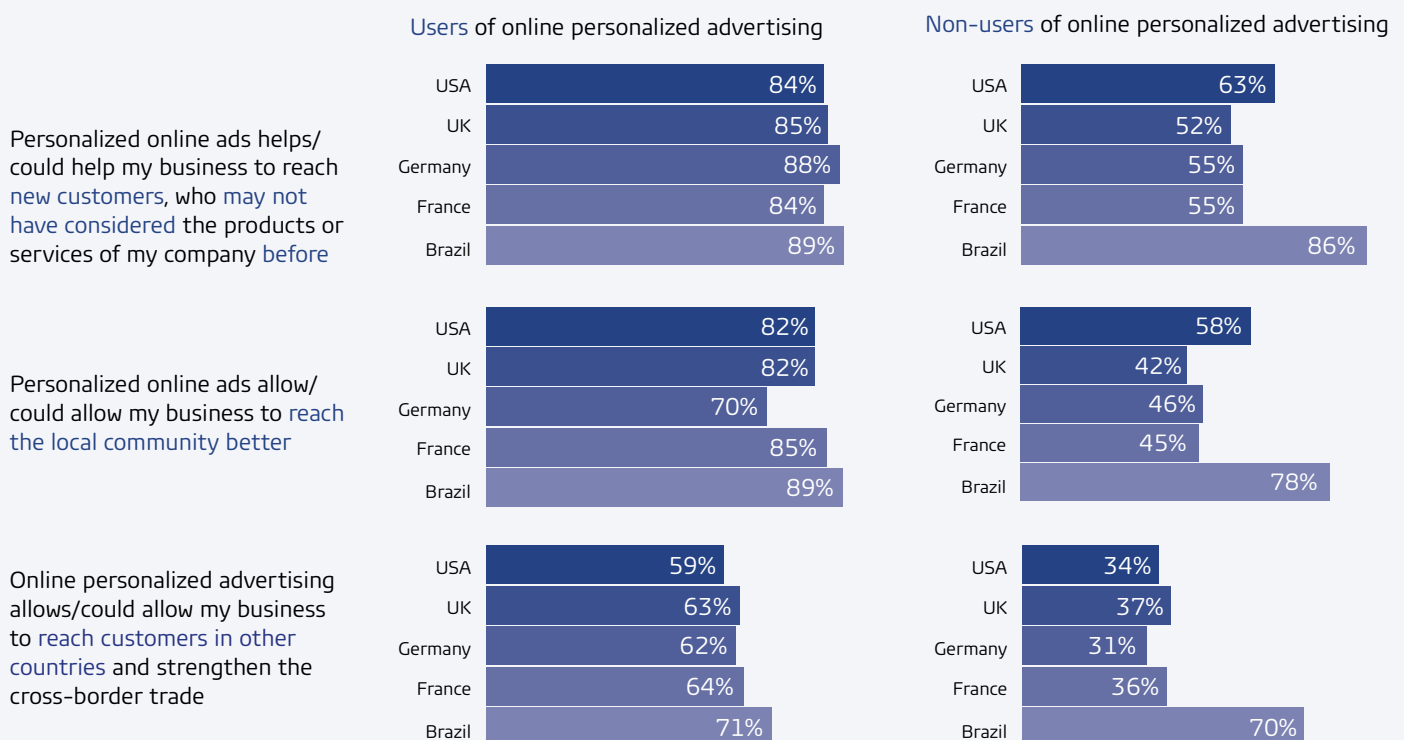
SMBs believe online personalized advertising is a better way of opening new markets – both locally and internationally. Chart 2 shows that more than four fifths of advertisers in each country agree that online personalized ads can attract new customers, as do more than half of non-advertisers, rising to 86% of non-advertisers in Brazil. Similar proportions of advertisers think that online personalized ads can help reach local customers, apart from in Germany where fewer, but still seven in ten, agree.

Whilst fewer decision makers overall think that online personalized ads are effective in attracting international business, still around three fifths of advertisers agree, rising to 71% in Brazil, and around a third of non-advertisers, rising to 70% in Brazil.

Again, SMBs who sell to consumers were more likely to see the benefits: for each of the statements, B2C businesses were again significantly more likely to agree than B2B only businesses.



Chart 2: SMBs agree that online personalized advertising opens up new markets.



CO1. Using the scale provided, please indicate how much your company would agree or disagree with each of the statements. Users (personalized online advertising). Non-users (of personalized online advertising)
Base: US – Total (251), Users (107), Non-users (144); UK – Total (273), Users (100), Non-users (173); DE – Total (271), Users (100), Non-users (171); FR – Total (258), Users (100), Non-users (158); BR – Total (250), Users (161), Non-users (89)

BENEFITS OF PERSONALIZED ADVERTISING

We also asked consumers about their attitudes to and experience of online personalized advertising. Whilst there were some variations by market, consumers were broadly receptive to the idea of online personalized ads as a way of enabling small and local businesses to compete more effectively with large businesses. Overall, there were fewer positive responses in Germany and France, and especially in Germany regarding supporting the local community, which mirrors the response of SMB advertisers. However, even in these markets, around a third of consumers say they have been able to connect to more local businesses because of online personalized advertising.



Chart 3: Consumers agree that online personalized advertising is good for small business and local businesses.

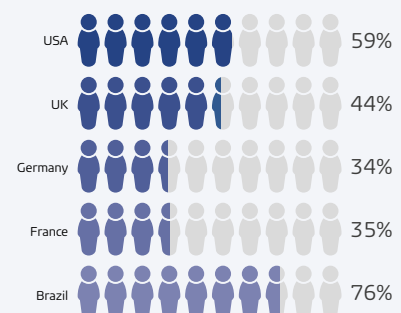
I like seeing ads from local businesses, because I want to support my local community



Personalized ads online allow smaller businesses to compete with larger ones



Personalized ads online allow me to connect to more local businesses



C01. Base: All respondents in US (1002), UK (1002), Germany (1017), France (1005), Brazil (1001)

BENEFITS OF PERSONALIZED ADVERTISING

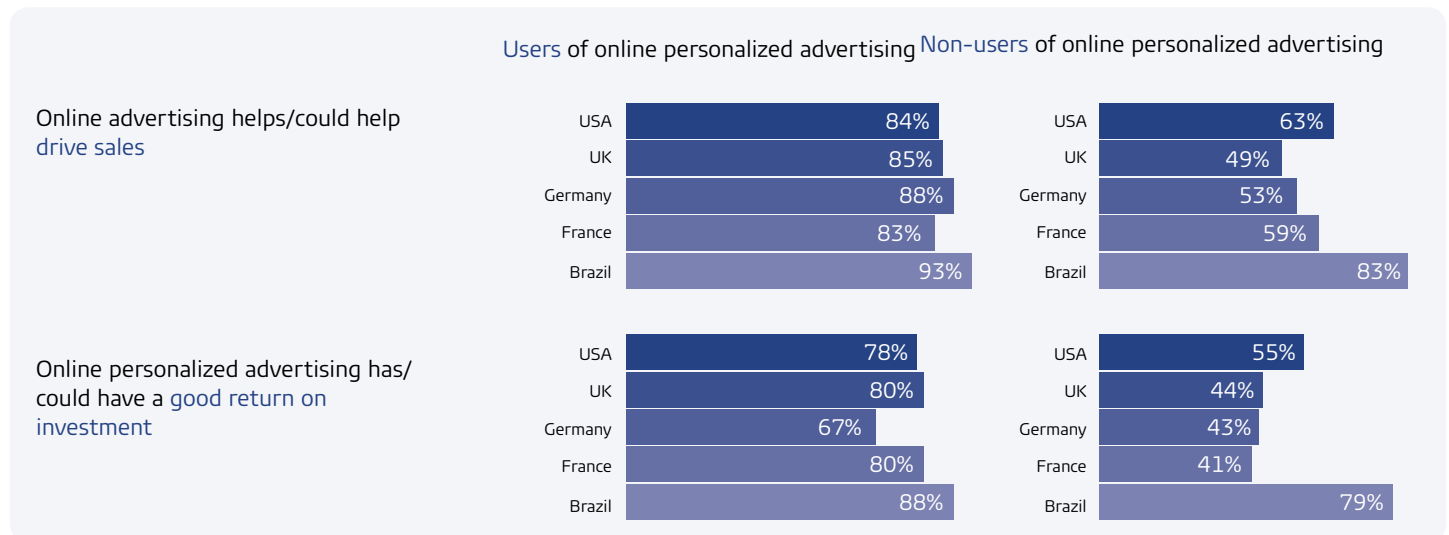
Sales and ROI

Chart 4 shows that the vast majority of SMB decision makers in all markets believe that online personalized advertising can have a positive impact on the bottom lines of their businesses, particularly in terms of driving sales. It is worth noting that this is the case even in markets such as Germany and France, where we have seen lower levels of agreement with other statements. Whilst fewer non-advertisers agree, still around half in Europe rising to 63% in the US and 83% in Brazil

think that online personalized ads can drive sales. Once again, B2C businesses were more likely to agree than B2B.

This is backed up by consumers (Chart 5) who say they have personal experience of businesses that have been helped to grow by using online personalized advertising. Even in Germany, where fewest consumers agree with the statement, there are still one in five who say they know someone who has successfully used online personalized advertising in their business.

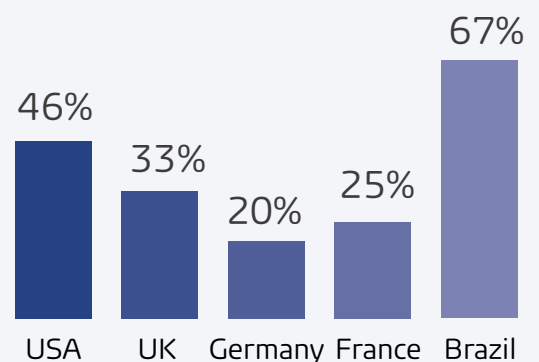
Chart 4: SMBs agree that online personalized advertising drives sales and is a good investment



C01. Using the scale provided, please indicate how much your company would agree or disagree with each of the statements. Users (personalized online advertising), Non-users (of personalized online advertising)
Base: US - Total (251), Users (107), Non-users (144); UK- Total (273), Users (100), Non-users (173); DE- Total (271), Users (100), Non-users (171); FR - Total (258), Users (100), Non-users (158); BR - Total (250), Users (161), Non-users (89)

Chart 5: Consumers agree that online personalized advertising has helped business people they know

Personalized ads online have helped people I know launch and maintain successful businesses



* C01. Base: All respondents in US (1002), UK (1002), Germany (1017), France (1005), Brazil (1001)

ADVERTISERS BENEFIT MORE

Users of online personalized advertising are more likely to recognize all of the benefits discussed above. This suggests that, for these decision makers at least, online personalized advertising has lived up to its promise to engage with consumers, open new markets and deliver sales and ROI. This is no doubt why, as Chart 6 shows, over four fifths of advertisers (and nearly all advertisers in Brazil) say it is 'very' or 'somewhat' important for their business.

Whilst non-advertisers are still, in many cases, fairly likely to agree with the statements about benefits, it is likely that a less positive attitude is linked to a lack of knowledge. Chart 7 shows that advertisers are significantly more likely to say they know a lot or a little about online personalized advertising. The same chart shows that there is also a relationship with technology adoption: advertisers are significantly more likely, in most markets, to be earlier adopters. In some markets, non-advertisers are significantly more likely to say they are sceptical of new technologies and only use them when they have to, or that they are one of the last companies they know to use new technologies⁸.

Chart 6: SMB decision makers who use online advertising say it is important

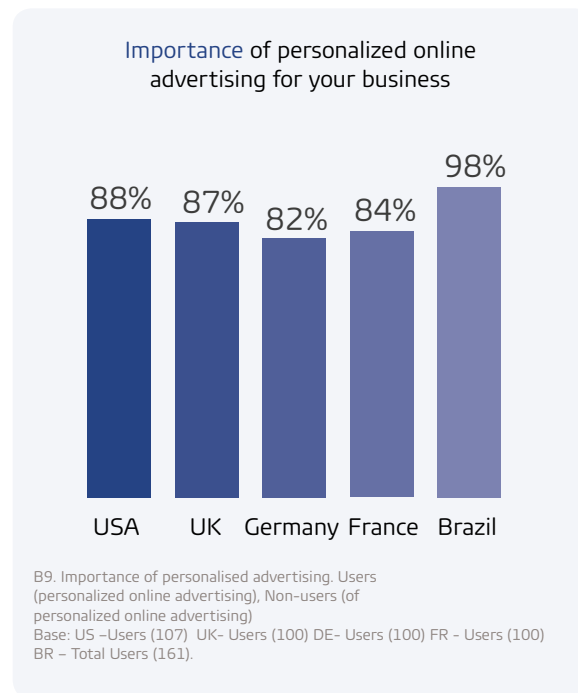
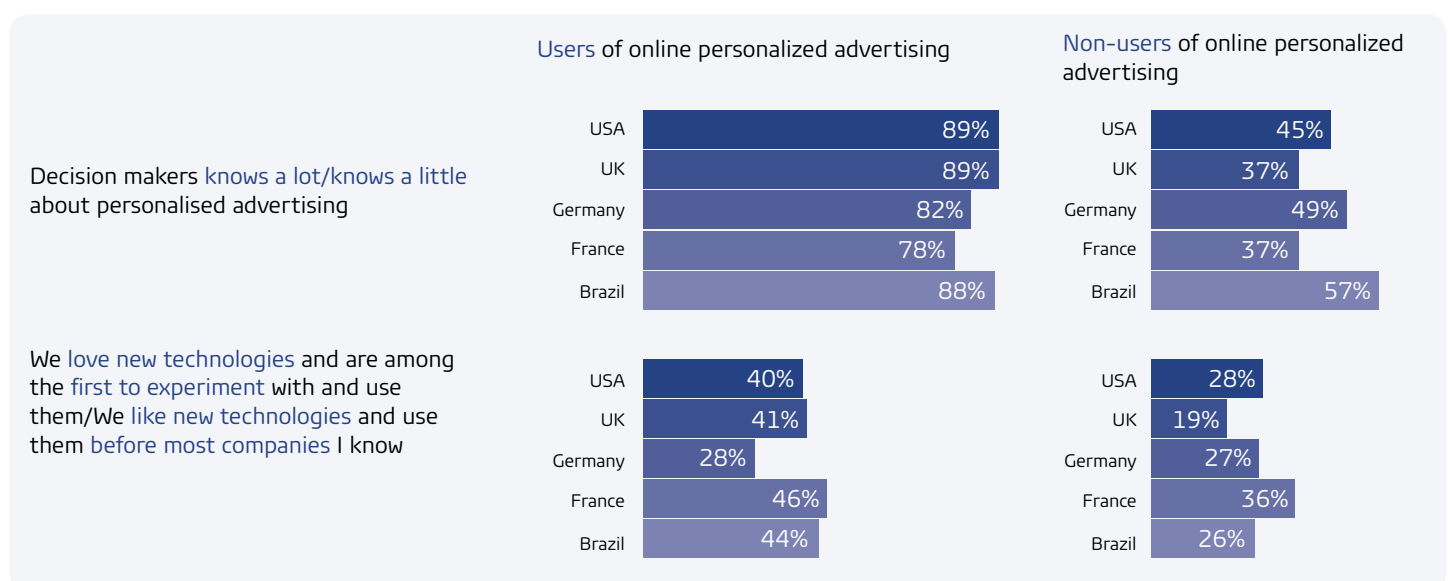


Chart 7: SMB decision makers who use online personalized advertising are more knowledgeable and adopt technology earlier than those who don't



E1. How much do you know about how using personalised advertising online works? B13. When it comes to technology, what best describes your company's attitude towards it, in general?
Base: US - 251, UK- 273, DE- 271, FR - 258, BR - 250

8. Not shown on the chart. Overall, around a third of SMBs in the survey identified as earlier adopters (Love new technologies and among first to experiment/Like new technologies and use them before most companies) and around a quarter identified as late adopters (One of the last to use new technologies/Sceptical about new technologies and only use when have to)

THE FUTURE OF ONLINE PERSONALIZED ADVERTISING

Chart 8: SMB decision makers who use online personalized advertising intend to continue using it

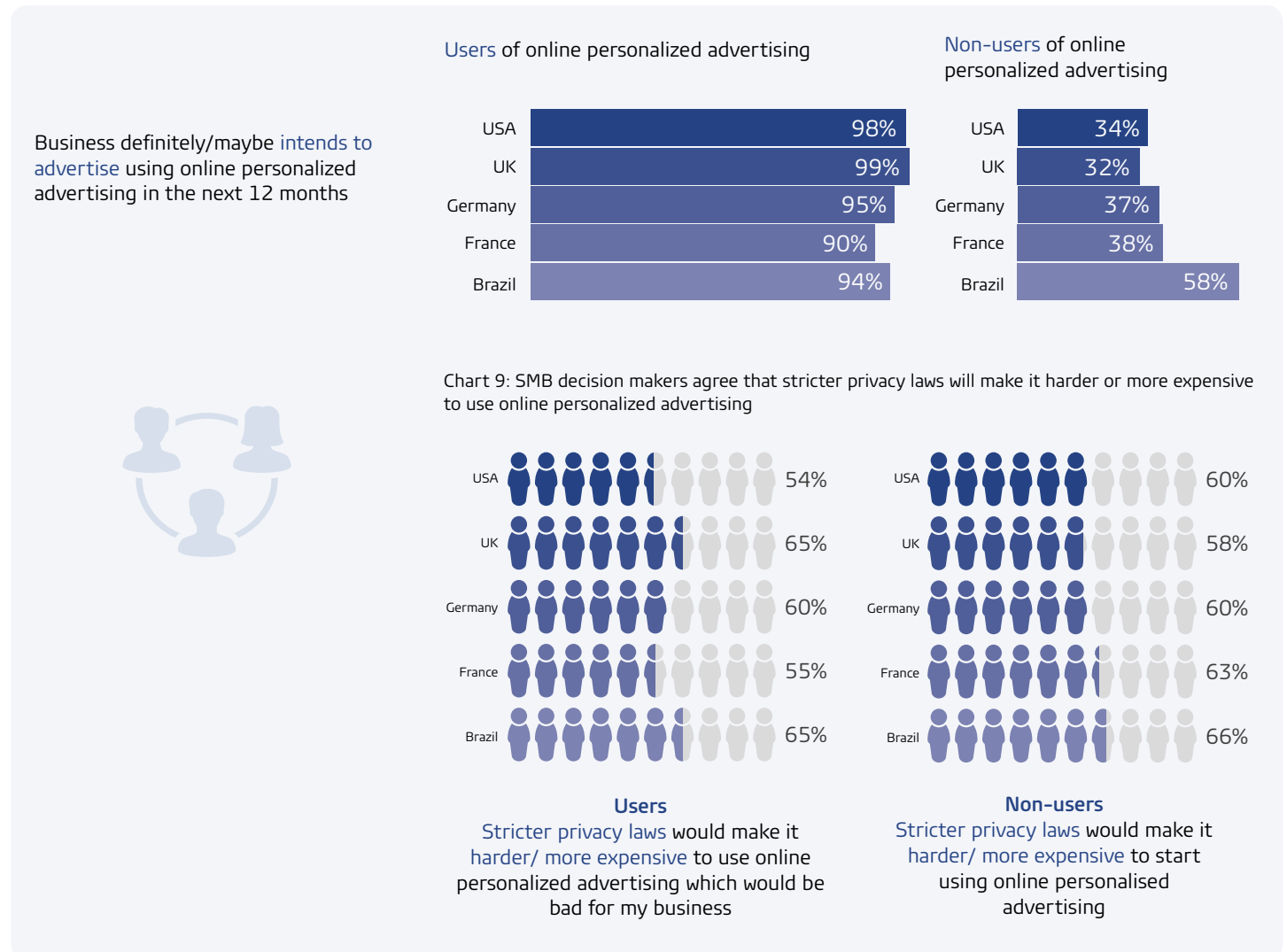


Chart 8 shows that nearly all advertisers intend to continue using online personalized advertising in the next 12 months, and around a third of those who currently don't use it, intend to start.

However, more than half of advertisers (Chart 9) are concerned that stricter privacy laws will be restrictive, and bad for their business, and similar proportions of non-advertisers agree.

Personalised online advertising is the future and has the biggest growth potential.

German B2C company

B10. Does your business intend to advertise using online personalised advertising in the next 12 months? Base: US – Total (251), Users (107), Non-users (144); UK- Total (273), Users (100), Non-users (173); DE- Total (271), Users (100), Non-users (171); FR – Total (258), Users (100), Non-users (158); BR – Total (250), Users (161), Non-users (89)

C02. Using the scale provided, please indicate how much your company would agree or disagree with each of the statements. Users (personalized online advertising), Non-users (of personalized online advertising)

Base: US – Total (251), Users (107), Non-users (144); UK- Total (273), Users (100), Non-users (173); DE- Total (271), Users (100), Non-users (171); FR – Total (258), Users (100), Non-users (158); BR – Total (250), Users (161), Non-users (89)

CONCLUSION



As print media shrinks and other advertising platforms continue to be expensive and restricting, personalised online advertising is going to be crucial to the success of my business in the future.

UK B2B/B2C company

There are some market differences in degree that may relate to cultural, political and technological factors, especially amongst non-users, but in the main, SMB decision makers are positive about online personalized advertising.

They believe that personalized ads can engage more effectively and help to form better relationships with consumers than other forms of advertising, and that consumers are more responsive when ads are personalized.

They agree that personalized ads can attract new customers, and can connect with consumers in both local and, to a lesser degree, international markets. They also agree that online personalized ads can drive sales, and offer a good return on investment.

It is notable that more than four fifths of users in all markets, even those that typically give less enthusiastic responses, agreed that personalized ads can drive sales. This, one could argue, is the key question for small businesses, and suggests that regardless of decision makers' attitudes towards personalized advertising, they are finding that it works.

Online personalized advertising is more likely to be consumer focused, which is probably why businesses that sell to consumers are more likely to say they see the benefits than those that sell only to other businesses.

Consumers themselves are also generally positive about online personalized advertising, in particular agreeing that it can benefit the local community and can help smaller businesses compete with larger ones. Many consumers have personal experience of a business that they know that has successfully used personalization.

CONCLUSION



Decision makers who have used personalized advertising are significantly more likely to be enthusiastic about the benefits that exist than those who haven't. This suggests that they have been satisfied with their experience of using the ads.

Our company is growing and so we will certainly look to work with personalized online advertising more in the future.

Brazilian B2B company

This is borne out by the fact that the vast majority say that online personalized advertising is important to their business and that nearly all of them expect to continue to use it. Those who have not used online personalized advertising are less knowledgeable about it than

users; it may be that were non-users to learn more about personalized advertising, they would be more keen to use it and more likely to see the potential advantages.

Non-users are also more likely to be late adopters of technology, which suggests that they may become more likely to invest in personalization as usage becomes more mainstream.

Given this widespread recognition of the benefits of online personalized advertising, it is not surprising that both users and non-users are concerned that stricter privacy laws would be restrictive, and that users believe that such laws could harm their business.

Overall, this research suggests that as more SMB decision makers are exposed to online personalized advertising, they are likely to see its advantages, which in turn will lead to more extensive use by small and local businesses in all markets, worldwide.

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