

**Policy Prototyping Project**

*Norwegian edition*

# The Effect on Restricting Targeted Advertising for Startups in Norway

Startups prototyping the restrictions on targeted advertising and the effect on attracting customers

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Startups are rapidly investing in new digital tools and competencies to meet consumer's buying habits and global competition. Targeted advertising on online platforms is crucial for startups to validate business ideas, reach critical mass, and scale operations beyond local markets. Without data, startups need to increase budgets significantly for marketing and diverting resources away from innovation, growth and market demands.

Restrictions on targeted ads would disproportionately harm the Norwegian startup ecosystem by stifling scalability and putting startups at a disadvantage in the global competition. Europe and Norway should be a champion in fostering innovation and empowering entrepreneurs, who are the foundation of Europe's success.

With the policy prototyping project, we are testing the policy on restricting targeted advertising and its effect on startups. Policy prototyping brings evidence-based recommendations from the startups to policy-makers. This report is the second edition of the project with a focus on the Norwegian startups and discourse around restricting use of user-data for marketing in Norway.



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## Taking our startups to the next level... without roadmaps?

as a major element in the decision-making processes. Startups are crucial in transforming the European economy by bringing innovations to solve the looming global challenges and disrupting the age-old industries by challenging the ways of doing business.

And how are the entrepreneurs challenging the incumbents? By having data to understand patterns, customer behaviour, market changes and growth opportunities. European startups have enough challenges holding them back from growing with a vastly fragmented Digital single market that is divided by language, culture and a complicated regulatory landscape. Without data, our startups are left making decisions without roadmaps, whereas the American and Asian startups are speeding ahead making decisions based on facts, not assumptions.

So here we are again, with a new edition of bringing evidence of what happens when the entrepreneurial ecosystem is not included in the policy-making processes. In the spring of 2022, we released a report ahead of the final versions of DMA/DSA of how the restrictions on the marketing toolbox will affect startups. With the results, we could see what the founders already unanimously feared: increased costs, disproportionate jungle of compliance and disincentives for the startup community in Europe. With the discourse rising from

Norway and spreading through Europe, we are yet again looking into the implications of restricting the use of user-data together with startups.

As an entrepreneur, I have experienced the challenges of building a business. The compliance issues are the furthest thing in your mind when starting your company as founders have so many other mountains to cross. Therefore, Danish Entrepreneurs together with SMB Norge are bringing evidence with another round of policy prototyping with Norwegian startups. The results aim to bring perspectives from the startup side and showcase what restricting targeted advertising will mean in real life. Increased customer Acquisition costs, increased budgets, and misguided strategy? You bet!

Thank you to the founders Cathrine Delp from Ekvi and Lillian Ayla Ersoy from Novooi for being involved in the prototyping when you have companies to grow. We need your voices desperately in the discourse.

**Peter Kofler**  
*Entrepreneur and Chairman of  
the Danish Entrepreneurs*





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## **Data is a crucial, renewable resource for startups success**

Restricting targeted advertising will have consequences for startups. In the previous report published in April of 2022, we evaluated targeted and contextual ad campaigns of 6 startups from multiple countries and platforms. The results of the prototyping showed what startups already knew: data is crucial for succeeding and growing.

### ***...when start a business***

Targeted, personalised advertising can be used to validate a business idea to see if there is a market for the business' service and product.

### ***...when securing customers***

Targeted advertising is an efficient way of securing that innovative products reach the right customers with the strongest potential.

### ***...when validating their business model***

Targeted advertising can be used to secure a critical mass of customers, which is a prerequisite for building a competitive business model and receiving investments.

### ***...when scaling to new markets***

Targeted advertising is a tool to identify relevant markets and expand efficiently, for example by using lookalike audiences from existing markets and finding the right cost per acquisition.

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## Severe effects for Norwegian startups if additional limitations on data use is imposed

Startups are inherently the most consumer-centric businesses, and empowering them has led to an increased of consumer choice, and new innovative solutions in the fields of sustainability, health, safety, technology and beyond.

Imposing additional restrictions on targeted advertising will slow down innovation and limit the choices available to Norwegian consumers. Moreover, it would put Norwegian startups at a disadvantage compared to their EU, Asian, and American counterparts, who operate under less stringent regulatory frameworks. Restrictions on targeted advertising will lead to rising acquisition costs for startups and lower customer lifetime values, potentially stifling their first-mover advantages and growth prospects. With complex regulation and dissentives, the Norwegian startups will have an uphill fight to innovate, reach critical masses and, challenge the incumbents in any given market.

***“Not using personalised, targeted ads will take the SMBs back to the Stone Age. Our members create ads based on user characteristics such as the audience’s online behaviour, location and demographics and with the data, they provide qualified leads.***

*This way, they reduce budget wastage and only use money for marketing, when it is backed up with unambiguous data. A lot of our members would not even know where to start with only contextual ads.”*



**Jørund Rytman**

CEO SMB Norge

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# Startups are concerned by the discourse over restricting targeted advertising in Norway

## Background

In Norway, the discussion on restricting targeting on online platforms and the use of user-data has been prominent in the past years. Both the political parties in parliament and the Norwegian data regulator, Datatilsynet, have been vocal in this debate but very often with too little focus on the real consequences for the Norwegian economy. In 2020 govt appointed a Privacy Commission, which delivered their official Norwegian report in September 2022 with a recommendation for the government to look into the national possibilities of introducing a general ban on targeted advertising. This was supported politically despite the potential consequences for businesses, and this work is still ongoing. In July 2023, the Norwegian Data Protection Authority also issued an order against one of the big tech platforms, Meta. Datatilsynet has since been working to achieve limitations on personalised advertising on a European level through the European Data Protection Board (EDPB). As a result, personalised advertising is under heavy scrutiny from privacy professionals and regulators, with little regard for the side effects limitations on personalised ads will have for businesses. This report is an attempt to get facts on the impact on Norwegian businesses into the debate.

Targeted advertising is therefore very much under pressure but few people seems to take an interest in what effects this will have besides potentially being problematic for big tech platforms. This report is an attempt to get some local facts into the debate

The EU's Digital Services Act (DSA) will come fully into force in 2024 with its promise of making new opportunities and increased competitiveness for European startups and SMEs and since Norway adapts nearly 3/4 of EU legislation this also affects the Norwegian ecosystem. However, new challenges also are rising due to the already complex and ever-evolving regulatory landscape in the EU. As for other major legislative pieces, the DSA will impose complex compliance requirements and increased costs for startups and SMEs. With the limited resources startups have, compliance will require heavy lifting in terms of time and budget wise.

In Norway, a heavy hit will be imposed on the startups and SMEs. Norway is reliant on diversifying its economy through new businesses and limitations in their marketing tool box (i.e. targeted advertising and use of user-data) will stifle possibilities of innovation, reaching customers and growth beyond borders.

A blurred background image of an office interior. People are seen in motion, walking through a modern office space with large windows and glass partitions. The lighting is bright, and the overall atmosphere is one of a busy, professional environment.

## Why are we prototyping targeted advertising?

With the Norwegian “Datatilsynet” imposing a ban on using data for targeted advertising and the jungle of compliance waiting for startups and SMEs in 2024, this report and prototyping is conducted to showcase the results of restricting startup’s ability to use

user-data in marketing campaigns. With prototyping, we want to offer evidence-based recommendations for policy-makers and the ecosystem to continue the dialogue and have startup voices also included in the discussions.



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# Prototyping policy to bring evidence-based recommendations to decision-making

Policy prototyping is an interdisciplinary and human-centric way of getting a “crowd involved in policy” and opening new democratic spaces in policy making.<sup>1</sup> The aim of prototyping is to learn about the strengths and weaknesses of an idea and explore its technical and/or social feasibilities.<sup>2</sup> Policy prototyping can be also referred to as “sandboxing”. The concept was developed due to the rapid developments in the financial markets and has since gained prominence by being employed in a wide range of sectors.<sup>3</sup> Digital transformation poses regulatory challenges and therefore, policy prototyping offers space for experimentation to fail early and avoid unintended side effects of the regulation.

## Focus on a specific, measurable proposal

For effective prototyping, the legislative piece should be adaptable to real-life scenarios and assessed using clearly defined metrics. To prototype legislative pieces early in the policy-making process, prototyping should consider following factors:

1. The legislative proposal is possible to isolate, test and measure.
2. The prototyping is possible to do in different scenarios (e.g. platforms) to validate results.
3. The prototyping should be as close as possible to real-life conditions to accurately measure the outcomes.

*“Policy prototyping is a straightforward way of testing the regulative frameworks and the implications they would impose on those stakeholders, who are often left out of policy discussions. With the results from startups, we can learn and rethink elements of such proposals before signing regulations that would cause harm to the whole European startups and entrepreneurial ecosystem.”*

**Victor Lund, Associate Professor at Danish Technical University and External lecturer at Copenhagen Business School**

<sup>1</sup> How to bring prototyping into policy design | Apolitical

<sup>2</sup> Prototyping in Policy: What For?! - Prototyping for Policy Prototyping for Policy (stanford.edu)

<sup>3</sup> 3. Jenik, I, and K Lauer (2017), “Regulatory sandboxes and financial inclusion”, CGAP Working Paper.

# Definitions and applied methodology for prototyping

**Contextual advertising** does not use third-party cookies or other forms of user-specific data. Instead, it aligns ads with the surrounding content, targeting the viewers based on their interests and their browsing patterns. Contextual ads are placed with the assumed interests of the viewer and assumptions of what they are reading and watching.

## Example from a contextual ad from Virta campaign on Challenges.fr

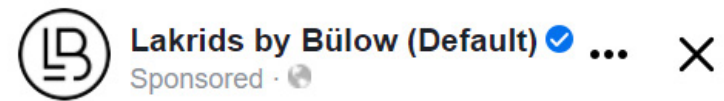
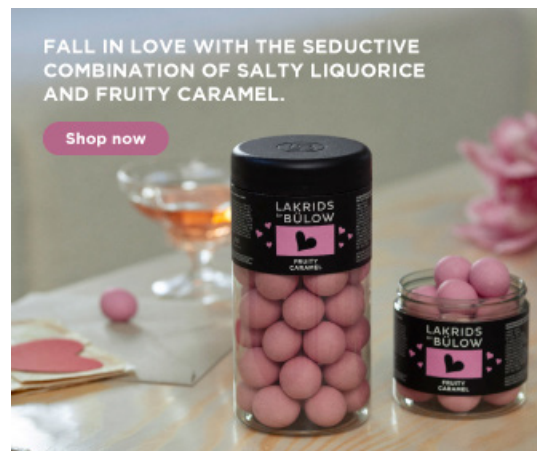
In the prototyping paper published in April 2022, Finnish company Virta chose a French publisher Challenges.fr for their contextual campaign. The ad was shown to people clicking on the real estate section due to their relevance for residential properties. The ad campaign did not use any user data to find the right audiences. The audience had to scroll through the real estate section to see the ad.



**Targeted ads** are based on an individual's behaviour online, rather than the environment (as contextual ads). Targeted ads use third-party cookies and other user data to identify the potential audiences likely to be interested in the ad's offering. Ads are placed in the potential customer's feed regardless of the environment (content and pages) they are scrolling through.

### Example of a targeted ad from LAKRIDS BY BÜLOW on Facebook

In the previous prototyping, LAKRIDS BY BÜLOW chose and ran their targeted ad campaign on Facebook. The campaign targeted a new market for the company, the Netherlands, by building an lookalike audience based on their known customers in an existing market, Denmark. People who fit the characteristics of the customer base in Denmark, saw the ad on their Facebook feed. Lookalike audiences are a common strategy for testing a new market demand.



Fall in love with the seductive combination of salty heart-shaped liquorice smothered in dulce chocolate with layers of fruity and ...[See more](#)



LAKRIDSBYBULOW.COM  
FRUITY CARAMEL 🍇

SHOP NOW

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# Split testing contextual and targeted ad campaigns

**Planning the split test:** To compare the effectiveness of contextual and targeted ad campaigns, each startup received a budget of \$2,000 to split equally between both campaign types. Startups designed and planned their campaigns, established clear goals, and identified the most suitable channels for their ads. Startups received additional guidance in setting up their campaigns due to their limited resources and expertise.

**Running the tests:** The test ran for seven days, during which the startups did not launch any major campaigns to ensure minimal interference. The traffic for the test campaigns was isolated from other factors to maintain the integrity of the prototyping.

**Analysing data from the tests:** After the prototyping period, the campaign data was analysed to identify patterns and key performance indicators. The data was evaluated and compiled into an index for the report while ensuring the protection of sensitive market data. From the data, we focus on measurements such as click-through rate, number of clicks and cost per click. All data is indexed in the results to protect any sensitive data to the startup.

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## Meet the Norwegian startups prototyping the ad campaigns

### Ekvi, an app to track and communicate your symptoms to healthcare providers reducing diagnosis from 7 years to 1 year

Ekvi's journey began with the founder's own health journey of having challenges communicating symptoms effectively to doctors. Her personal experience coupled with numerous other women highlighted a crucial gap in healthcare communication and the FemTech landscape where better understanding and care is needed. Ekvi was founded to empower women to articulate their experiences with medical professionals and enhance diagnosis and treatment of women suffering from endometriosis. The goal is to reduce the diagnosis time from 7 years to 1 year and be a trusted companion for women navigating health concerns. Ekvi is launching the app during the spring of 2024 and preparing to bring a tangible difference in the lives of women.

*"Targeted advertising is crucial for us because it enables us to reach women who are most likely to engage with Ekvi. Valuable insights include understanding our audience's behaviour, preferences, and the specific health challenges they face. Our website traffic primarily stems from targeted efforts, reaching out to young women who are actively seeking solutions and support for their health concerns. Our vision is to be a catalyst for empathetic, data-driven women's healthcare."* **Catherine Delp, Co-Founder and CEO of Ekvi**



1 av 10 kvinner har endometriose

Det tar 7 år i gjennomsnitt å få riktig diagnose.

Det vil vi gjøre noe med!

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## Novooi, A curated space for discovering Norwegian design, art and craft

Novooi is a digital marketplace for discovering and buying sustainable contemporary Norwegian design and craft. The company was founded to connect a community of craftspeople, manufacturers and key-players in the industry whilst giving a strong voice and visibility for Norwegian makers. Novooi represents 100 distinguished and emerging artisans in Norway and helps them to commercialise their products when many artisans cannot make a living only by their profession.

*“Targeted marketing is an inexpensive way to reach relevant target audiences and increase our exposure. We see a direct effect of the money spent on ads, with CTR, geographic segmentation and age. We increase our exposure internationally and see which countries have an increased interest in Norwegian design, such as Germany, Italy, France, Spain and Portugal.”* **Lillian Ayla Ersoy, Founder and Creative Director of Novooi**

Norsk design skal ut i verden med over 100 formgivere

**novooi**

Anna Maria Ofstedal Eng  
Vride Bench

Photographer  
Sara Angelica Spilling

Norsk design skal ut i verden med over 100 formgivere

**novooi**

Photo Sara Angelica Spilling

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## Targeted ads delivered indisputable results across Scandinavia

**+ 229%**

### In delivering new and returning customers to websites

On average, targeted digital advertising surpassed contextual ads in terms of the rate at which it attracted new or existing customers to click on an advertisement by a significant margin (+229%)\*

## All of the tests contextual ads resulted in a price increase

**+560%**

### In delivering new and returning customers

In comparison to targeted digital advertising, contextual digital advertising led to a rise in the cost of acquiring a new or existing customer to click on an ad by an average of +560%\*

**CPC:** Cost per Click. What an advertiser pays per click on their ad.

**CTR:** Click-through Rate. The number of clicks that the ad receives divided by the number of times your ad is shown.

\*An average of the 8 startups that were prototyped in the first and second versions of the Policy Prototyping Project.

## Main conclusions for Norway

The key finding from the study highlights that across both scenarios, targeted and contextual digital advertising yielded notably distinct outcomes when assessed using identical criteria.

Specifically, targeted digital advertising surpassed contextual digital advertising in its ability to draw

new or returning customers to the brands' websites, demonstrating both effectiveness and efficiency.

Put simply, targeted digital advertising achieved a higher click-through rate on ads while also achieving a lower cost per click for acquiring new or returning customers through digital advertising.

## Performance

Across both cases of digital advertising, targeted ads delivered better results on CTR (click-through rate) and CPC (Cost per click) – key metrics for determining the effectiveness of a digital marketing campaign aimed at driving customer traffic to a business' website.

**CTR – Click-through rate:** A fundamental outcome of the study reveals that targeted digital advertising yielded an average performance improvement of 616 % for startups

in acquiring existing or new customers to click on digital advertising.

**CPC – Cost per click:** A similar conclusion of the superiority of targeted digital advertising was evident from the test when looking at CPC (cost per click). Contextual digital advertising effort resulted in an average +1.450% increased cost of getting a new or existing customer to click on an ad across both brands of the case.

*Data analysed by the campaign manager from marketing and advertising agency*

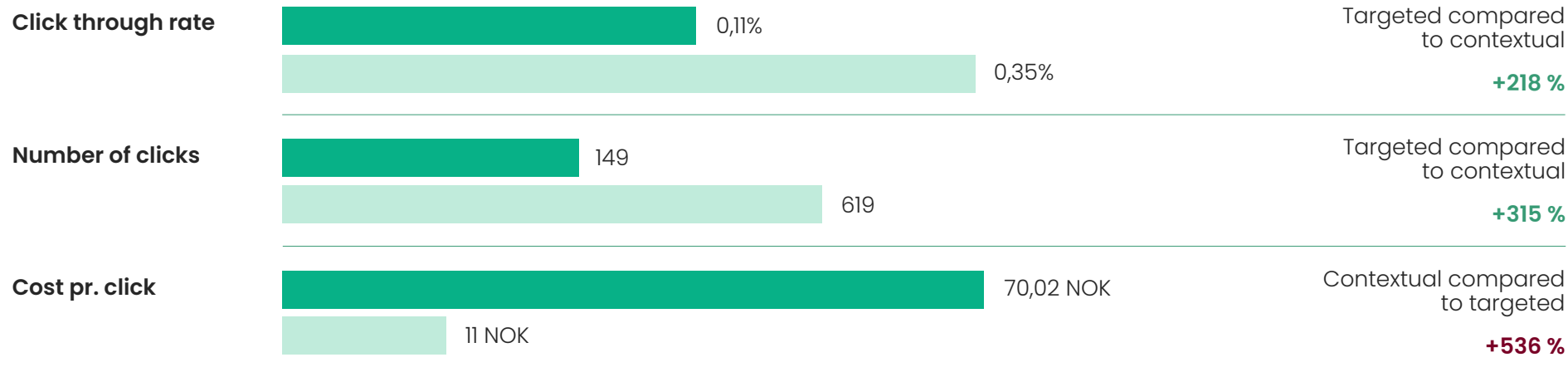
**dentsu**



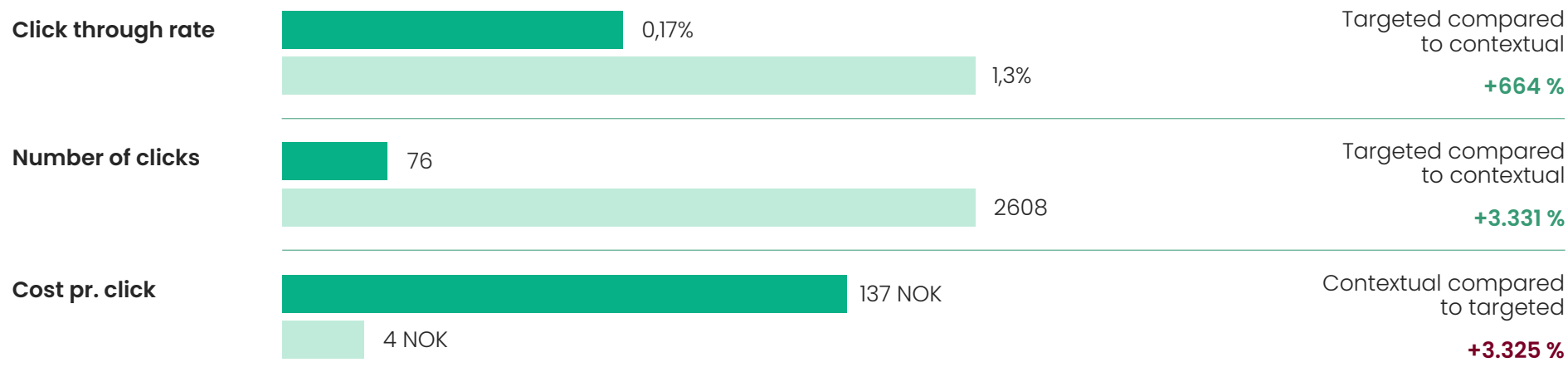
# Individual campaign performance

Contextual ad Targeted ad

## EKVI



## NOVOOI



# Startups need...

**Ability to test quickly their possibilities.** Startups prioritise quick experimentation and results to validate their service or product to adapt swiftly based on the data gathered. They seek to collect market insights and secure a critical user base to grow, scale, attract investors or fail fast if necessary. Startups need data to understand their potential in the markets.

**Cost-effectiveness and flexibility to attract clicks.** Targeted advertising is an attractive option for startups due to its cost-effectiveness and flexibility. Startups can quickly adjust their advertising budgets to optimise their campaigns, maximising their return on investment. Younger startups, in particular, often allocate a large portion of their revenue to marketing (12-20%), compared to established companies (6-12%), to effectively reach their target audience.<sup>4</sup>

**Quick feedback loops to learn and optimise campaigns.** Service and content platforms provide real-time data that enables startups to continuously learn and optimise their campaigns. Contextual ads, on the other hand, involve a longer and more costly learning curve, which is not feasible for resource-constrained startups. Moreover, publishers often lack real-time campaign modification capabilities, leading to ad purchases based on assumptions rather than data-driven insights.

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<sup>4</sup> <https://www.wordstream.com/blog/ws/2016/10/26/marketing-budget>



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## We call on the Norwegian policy-makers to...

**Invite startups to the policy discussions** to cultivate a supportive environment for entrepreneurship and foster the growth of startups. It is crucial to establish balanced regulatory frameworks that encourage innovation and provide startups with the necessary tools and resources. This dialogue could be facilitated through informal coalitions or committees, allowing for ongoing engagement between policy-makers and startups, leading to informed and impactful regulatory decisions.

**Evaluate the consequences of banning targeted advertising** to understand the repercussions for small businesses and ensure that the regulation solves the right problem without unintended consequences for the wider ecosystem. Policy-makers should strive to clarify the definition and scope of any regulations and ensure it does not create harmful effects for startups without truly improving user experience.

**Create future-oriented legislative frameworks** that are distinct and without overlap from existing regulations such as the GDPR, and in addition avoiding unnecessary burdens on startups that lack the resources to navigate complex regulatory landscapes.

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# Acknowledgements

## Startups

The prototyping was conducted by two Norwegian startups, who prototyped what restriction on targeted advertising would mean for their business. The startups ran two campaigns: one targeted campaign and one contextual campaign. The purpose of the prototyping is to get results as close to reality as possible.

The opinions and recommendations of the report do not reflect the startup opinion unless quoted.



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