

## **DMA response to the PBSC Tech and Innovation Commission for the Industrial Strategy**

### **1. What have been the key areas of digital innovation in your organisation and the sector over the past 10 years?**

The data and marketing sector has been at the forefront of digital transformation over the past decade. The emergence of ecommerce, smart phone technology, and new digital channels such as social media, messaging apps, search, email and text have totally transformed the way companies communicate with customers.

Customer communication is also at the forefront of AI adoption, from marketing automation to creative ideation and chatbots in customer service centres.

Use of data has been at the forefront of attracting and retaining customers for companies and attracting and retaining donors for charities since long before the digital era, beginning with analogue channels such as print and telephone. The era of modern marketing has placed responsible use of data as central to every channel of customer engagement.

The industry also was amongst the earliest adopters of cloud computing with Martech companies leading the way since 2000 for campaign management platforms, CRM platforms and data management platforms. It is often said that in a company the marketing department spends more on IT than the tech department.

### **2. Within your sector, which technologies are most critical to short- and long-term economic growth (in terms of output and productivity growth) in your organisation and the sector in the next 1, 3 and 10 years? (Considering both cross-cutting technologies like Cloud computing, AI, but also technologies that are critical to the specific growth of your sector).**

See above

### **3. What is the potential for growth and productivity gains within your sector of these technologies?**

The marketing industry will continue to innovate to use data insight, including transaction history such as loyalty card data, and technology to create greater relevance for their customers. Customers value receiving the right message at the right time which improves productivity across the economy.

Advertising Association data indicates that £1 of advertising generates £6 of GDP. The use of data and technology to create improved customer experience and engagement could improve that to £7, £8 or even £9 as marketing investments become more targeted with improved ROI. The biggest opportunities will come via improving the skills and capabilities of SME's who have access to exactly the same technology as large corporates for the first time in history. Cloud computing has democratised access to technology evening the playing field and enabling smaller business to compete in new markets

**4. How will technologies within your sector support progress towards the following UK economic objectives?**

**a. Within your sector which technologies have the potential to support the UK's and your sector's/company's/clients transition to net zero?**

Improved targeting means less waste with greater returns from less messages. This reduces waste in print and data centres. The Advertising Associations Ad Net Zero and Ad Green programmes are driving improved sustainability/

**b. What are the potential positive and negative impacts that technology-enhanced growth in your sector may have on regional growth/inequality?**

Technology enhanced growth enable SMEs to compete effectively in many new markets. Websites supported by digital channels and martech solutions enable even the smallest business to find customers anywhere in the UK or internationally.

**c. What technologies within your sector are key to the long-term resilience of the sector, or to the resilience of our wider economy/ society? What are the risks that would have the most significant impact on the UK's access to these and/ or be most likely to materialise, and how prepared are businesses in your sector to respond to these risks materialising?**

**5. What are the barriers and enablers for these technologies to drive growth in your sector?**

Reforming UK's data protection legislative framework is essential to Tech and Innovation and must be considered a foundational element of the industrial strategy. The Data USE and Access Bill (DUA) that had First Reading in the House of Lords on 23 October is essential. The DMA has advocated for 12 key legislative

reforms that are essential to the data and marketing industry. Most of them have been included in DUA but some have not.

1. Reforms that establish greater certainty for the use of legitimate Interests as a lawful basis particularly attracting and retaining new customers (in DUA)
2. Reforms that clarify how data can be better used to support scientific research and technology development (in DUA)
3. Reforms that reduce bureaucracy for small business (not in DUA, the DMA will seek an amendment in the House of Lords to exempt SME's from Records of Processing Activity to reduce bureaucracy in the private sector much as the Bill already does to reduce NHS and Policing bureaucracy)
4. Reforms that enable Smart Data schemes to be introduced in appropriate sectors (in DUA)
5. Reforms that reduce the consent requirements for non-intrusive cookies (in DUA)
6. Reforms that update the law to enable beneficial use of automated decision-making like AI while maintaining strong safeguards (in DUA)
7. Reforms that create a more flexible international data transfer regime (in DUA)
8. Reforms that support use of the email soft opt-in for non-commercial organisations (not in DUA. These are essential to improved fundraising effectiveness for charities and must be included. DMA will seek an amendment in the House of Lords)
9. Reforms that modernise the structure of the ICO and ensure it considers the impact on innovation and competition (in DUA)
10. Reforms that clarify transparency requirements for publicly available data sources such as the Open Electoral Register (not in DUA. DMA will table amendments to Article 14 GDPR in the House of Lords)
11. Reforms that establish Codes of Conduct in PECR may be contained in the same document as a GDPR Code of Conduct. (in DUA)
12. Reforms that do not risk adequacy in the EU (DUA poses less risks to adequacy than its predecessor DPD by maintaining the GDPR accountability framework)

**6. Within these, are there any which have an important place-based component (a specific region within the UK or globally)?**

The decision of the UK Government not to proceed with the Exoscale Computer based at Edinburgh University is disappointing, not least as the University has spend nearly £40 million on housing for the computer. This addition to Edinburgh and the UK's data infrastructure would be a huge accelerant to progress in research and development, and the data/AI economy, and many facets of policy. It would go a long way to ensuring the UK's place among the global forerunners in data, tech and AI. With the potential for more 'borrow to invest' funding in the upcoming budget, the DMA would counsel that committing to the spend on the Exoscale computer would be a worthy investment.

**7. How could the government act to reduce barriers and enable these technologies to drive growth in your sector? Are there any important sub-national actors or partners we should engage with?**

The Data Use and Access Bill is an important enabler to growth. New rules that clarify the scope of scientific research in commercial settings, certainty around the use of legitimate interests as a lawful basis, and exemptions to consent for a large variety of cookies will all contribute to more effective and efficient marketing, to the benefit of customers and companies.

The DMA will be advocating for three critical further amendments to the DUA Bill to extend the soft opt-in for email marketing to charities so they have an equal playing field with commercial organisations; greater clarity in Article 14 GDPR around the transparency requirements around the use of publicly available data such as the electoral register; and exemptions to ROPA requirements for SME's

**8. What areas of research and development do you think should be prioritised to support the long term growth of your sector? What R&D do you think should support for the sector?**

**9. Are you currently using any form of AI (e.g. machine learning, natural language processing, deep learning, computer vision, generative AI) in your company?**

**a. If so, what are you using and how are you using it?**

**b. Do you have either data scientists or AI Specialists in your team currently?**

- c. If so, how many people with these skills do you have? If not do you plan to recruit any specialists with skills in data science or AI in the next year?**
- d. Are your competitors using AI or data science currently?**
- e. How quickly do you think your sector / industry is adopting AI or data science?**
- f. Do you have any use cases you would be happy to share with us that shows some of the benefits of AI?**

This answer is based on feedback from the DMA Taskforce and the Governance Committee and relate mostly to the SME sector. It broadly relates to the contents of question 9 and question 10, which contain many of the same themes.

SMEs in the data marketing sector are cautiously beginning to explore and implement AI tools to enhance their marketing efforts, despite facing several barriers. Based on the provided content, here are some examples of how SMEs are using AI in data marketing:

1. AI-Powered Note-Taking and Meeting Transcription:

- Usage: Some SMEs have started testing AI note-taking applications that automatically join online meetings to transcribe and summarize discussions. This allows team members to focus on the conversation without the distraction of manual note-taking.
- Benefits:
  - **Increased Productivity:** Automates the documentation process, saving time and effort.
  - **Improved Accuracy:** Ensures that key points and action items are accurately captured for future reference.
- Challenges: The unvetted use of such tools has raised concerns about data privacy, compliance with regulations, and sharing sensitive information without proper due diligence.

2. Exploration of AI Tools in Marketing and Advertising:

- Usage: SMEs are interested in using AI for processing personal information to enhance direct marketing efforts. They see potential in AI for customer segmentation, personalised marketing campaigns, and analysing consumer behaviour.
- Benefits:

- Targeted Marketing: AI can help in identifying and targeting specific customer groups more effectively.
- Enhanced Customer Engagement: Personalised content can improve customer experiences and increase loyalty.
- Challenges: There is a significant lack of understanding about how to implement these tools safely, especially regarding compliance with data protection laws like GDPR. SMEs are wary of the risks involved in handling personal data.

### 3. Interest in AI Assistants and Productivity Tools:

- Usage: Some SMEs are considering the use of AI assistants like Microsoft's Copilot within platforms such as Teams and SharePoint to improve collaboration and workflow efficiency.
- Benefits:
  - Streamlined Operations: AI assistants can automate routine tasks and provide intelligent recommendations.
  - Improved Collaboration: Enhances communication and information sharing among team members.
- Challenges: Concerns about permissions, data access, and governance prevent SMEs from fully adopting these tools. There's uncertainty about the level of control and security over sensitive company data.

### 4. Experimenting with Generative AI for Content Creation:

- Usage: SMEs are exploring generative AI tools to assist in creating marketing content like social media posts, blog articles, and advertising copy.
- Benefits:
  - Cost and Time Efficiency: Reduces the resources needed for content creation.
  - Consistency: Helps maintain a consistent brand voice across various marketing channels.
- Challenges: There is confusion over how to effectively use these tools, fears about the quality of AI-generated content, and concerns about intellectual property rights and originality.

## 5. Utilizing AI for Data Analysis and Insights:

- Usage: SMEs recognize the potential of AI in analysing large datasets to gain insights into market trends and customer behaviour, which can inform marketing strategies.
- Benefits:
  - **Informed Decision-Making:** Data-driven insights lead to better strategic planning.
  - **Competitive Advantage:** Understanding market trends can help SMEs stay ahead of competitors.
- Challenges: SMEs often lack access to high-quality data and the tools necessary to analyse it. There's also a shortage of in-house expertise to interpret the data effectively.

## 6. Adoption of AI in Customer Engagement Tools:

- Usage: Some SMEs are implementing AI chatbots on their websites or social media platforms to handle customer inquiries and provide support.
- Benefits:
  - **Improved Customer Service:** Provides immediate responses to customer queries, enhancing satisfaction.
  - **Resource Optimisation:** Frees up human staff to focus on more complex tasks.
- Challenges: Setting up and maintaining chatbots requires technical skills that SMEs may lack. There's also concern over the chatbot's ability to handle nuanced customer interactions appropriately.

## Considerations:

- **Lack of Understanding and Skills:** SMEs often do not have the expertise to select, implement, and manage AI tools effectively. This includes understanding the differences between various AI technologies like machine learning, deep learning, and generative AI.
- **Compliance and Data Privacy:** Navigating data protection regulations is a significant concern, especially when processing personal information for marketing purposes. SMEs fear the legal repercussions of non-compliance.

- **Cost Constraints:** Investing in AI technologies and the necessary training for staff can be financially challenging for SMEs. There's also uncertainty about the return on investment.
- **Fear of Negative Outcomes:** SMEs are apprehensive about making mistakes in AI implementation that could harm their business, such as data breaches, loss of customer trust, or regulatory penalties.
- **Cultural Resistance:** Overcoming indifference or fear among team members who may worry about job security or feel overwhelmed by new technologies.

Summary:

SMEs in the data marketing sector are beginning to harness AI technologies to improve efficiency, personalize marketing efforts, and gain competitive advantages. They are experimenting with AI-powered tools for note-taking, customer segmentation, content creation, data analysis, and customer engagement. However, widespread adoption is hindered by challenges such as a lack of understanding of AI tools, compliance concerns, financial constraints, and internal resistance. There is a need for accessible education, clear guidance on regulations, and support in integrating AI tools to help SMEs fully leverage the benefits of AI in data marketing.

**10. Where do you think AI could be used to maximise value/productivity**

- a. Are you aware of any use cases being developed elsewhere in your industry that are showing clear benefits?**
- b. What are the biggest challenges you are facing in adopting AI**
- c. What incentives would be needed for your company to develop a clear vision/roadmap for tech adoption?**

See answer to Q9

**11. What data - either making public data safely available or asking companies to report data – would really help some of the PBS/digital sectors expand?**



It is essential that Article 14 of GDPR is amended to counter ICO over restrictive interpretations of transparency requirements for publicly available data sources. Currently well-established data sources such as the Open Electoral register, Companies House data, Land registry, the Registry of Judgements and many others that have powered data hygiene and direct marketing for decades are at risk. The DMA will be tabling amendments to Article 14 in the Lords to ensure the whole future of public/private data sharing is not undermined by the ICO approach.