

Digital Advertising Services Price Inquiry : ADMA key messages

The Association for Data-driven Marketing & Advertising (**ADMA**) is pleased to submit its response to the Australian Competition & Consumer Commission's (**ACCC**'s) Digital advertising services price inquiry.

In assisting to better understand the value creation and capture that makes up the complex digital advertising services industry, ADMA believes it can best assist the ACCC's Digital Platforms Branch in developing case studies and providing relative information that would help with an evaluation in the following broad areas of importance:

- Where the value lies in the advertising services supply chain;
- Identifying the distribution of budget across the advertising supply chain;
- The sustainability of new supply chains within the current business environment
- Standardisation of measurement metrics to reduce mismatched reporting
- The level to which scale and depth of data determines success of a campaign
- Valuation of the bidding processes and setting of floor prices between platforms
- Brand Trust and digital marketing practices

On the pages that follow we expand on the abovementioned areas and discuss some of the complexities that need to be considered

ABOUT ADMA

ADMA represents over 350 organisations engaged in data-driven marketing and advertising in Australia. Together these organisations employ about 28,000 marketing professionals, in roles ranging from Chief Marketing Officers Agency CEOs, Platform and Data Management Executives through to more junior roles within the same organisations.

ADMA supports responsible use of consumer data in marketing and advertising. ADMA recognises that a sustainable marketing and advertising sector requires fair and transparent business practices in the marketing and advertising supply chain and handling of consumer data that nurtures their digital trust and is fair and respectful of consumers, as well as compliant with data privacy law.

A combination of technological innovation, advances in data collection and analysis, increased expertise in this area together with a shift in customer behavioural patterns (and expectations) have propelled data-driven marketing into a new era, offering organisations of all sizes the opportunity to better connect and engage with their target consumer and remain relevant. As businesses embrace the data driven opportunities that technological advancements bring, ADMA continues to navigate members through this space to helping them to remain both competitive and compliant.

ADMA members come from all key areas of private enterprise and the public sector in Australia and includes (but is in no way limited to) advertisers, publishers, advertising agencies, software and internet companies. All members have one thing in common: they are focused on harnessing data in a responsible and innovative way to better achieve their business and marketing goals and give the end consumer a trusted valuable user experience.

Where does the value lie in the advertising supply chain?

Advertising communications are designed to reach the targeted consumer by way of media channels. Media channels remain the largest expense in any marketing budget. Marketers seek to optimise this

investment and reach the right consumer as efficiently and effectively as possible. This is in the best interest of the consumer, the advertiser and the media channel.

With the emergence of digital media the advertising economy witnessed an explosion in the number of available channels that businesses can incorporate in their marketing mix. As data, tracking and analytics has evolved, so too has the ability to target audience groups, including each marketer's customer base.

As the systems for buying media has moved from broadcast placement, to the more niche audience dataset purchased through digital platforms and auction based algorithms, the complexity of media buying has increased, with a consequential reduction in marketers ability to understand the extent of value creation and capture along stages in the marketing and advertising supply chain. Even though marketers may have more opportunities to measure effectiveness through the marketing funnel, the additional complexity and reduced transparency that comes with more channels can sometimes lead to marketers moving away from minor publishers. Even so, proliferation of alternative platforms and channels, and of alternatives in scale and reach, has enabled entry of new competitors that have created competitive tension and pricing pressure within the marketing and advertising supply chain.

Many of these new competitors are SMEs (small to medium enterprises) that either directly compete with the Tier 1 advertising agencies and media buyers, or provide martech or adtech as-a-service that enables Tier 1 advertising agencies and media buyers to compete with Tier 1 agencies and buyers. These competitors offer a diverse menu of price points and audiences that enable SMEs to advertise and reach audiences that traditionally have only been available to big advertisers.

Regulators addressing concerns as to opacity in business practices in the marketing and advertising supply chain and as to whether particular practices in handling of consumer data are fair and respectful of affected individuals, need to be careful that increased regulation may raise barriers to entry within the marketing and advertising supply chain and promote new data driven walled gardens which unduly favour data incumbents.

Recommendation 1:

ADMA welcomes scrutiny of the extent of value creation and value capture along stages in the marketing and advertising supply chain. Generalisations and quantitative analysis of value points in the advertising services supply chain is inherently difficult, given the diversity of paths of players, technology and data that collectively constitute the marketing and advertising supply chain. ADMA supports efforts to improve transparency in the marketing and advertising supply chain. ADMA can assist in development of case studies that would assist in providing better transparency of some reasonably representative value chains.

Identifying the distribution of budget across the advertising supply chain;

In any form of advertising, brand marketers allocate their spend with an expectation that the majority of the fee will go to the media platforms (ie: "reaching people") with minimal (or at the very least "fair") compensation going by way of taxes/ fees to the other contributors of value along the advertising supply chain.

Adding emerging media channels to the scheduled advertising mix, increased not only the number of support agencies involved in helping to deliver each campaign but also an increase in the processes (including programmatic) to do so. This has made it more difficult to get clarity on how marketing spend is allocated in each campaign.

Given the number of layers that exist between Advertisers and the Publisher, even if actual value contributed by each party can be identified, it is currently difficult to determine the taxes/fees being distributed along the supply chain. Research¹ has shown that there is an unattributable delta of 15% of any given campaign spend, while this study is from the UK, ADMA believes that the situation would be similar in Australia and it is in the best interest of industry to understand where this spend is going.

In order to do a meaningful cost analysis, campaigns need to be assessed by what the actual offering is. In some instances, it is the addressability of a specific audience and the fees charged for the process of reaching that audience. At other times it is the technological offering itself that enables the campaign to match, target or segment an audience. There are even times where the ability to screen out an audience may be where the real value lies. When it easy to see tangible evidence of the value created then the advertiser can make an (albeit subjective) assessment of the compensation paid against the value attained, but when the value is against something that can't be seen (ie real time bidding processes), it becomes easy for fees to be lost in assumptions of the price paid to take part in a process. There is a need for more clarity in what the process involves and how actual spend is attributed. This will not only better inform the advertiser, but it will reduce opportunities for any dishonourable opportunists who may be engaging in illicit siphoning of small increments (which very quickly add up) from otherwise deserving contributors.

Pricing of value captured at each step along the supply chain can't be assessed in isolation because often it is the value *adding* activities through both martech and adtech that needs to be fairly considered in context of comparable rates across platforms. If transparency reveals that the cost of delivering some value is no longer sustainable, it becomes a wider question for the business to consider – is the issue at hand more about remuneration or is it about the flexibility of the business structure. While this can only be assessed by each individual business, a market assessment and recommendation for methodology of pricing and modelling would help businesses benchmark their own ability to adapt to the new demands of channels and remain competitive into the future.

Recommendation 2:

ADMA welcomes an assessment of the remuneration models applied by the publisher, agency and adtech process in addressing the value that the relationships provide to the marketer, to the advertising supply chain and to the campaign itself. Contributing factors in a range of different campaign types will need to be considered. ADMA can provide assistance in pulling together case studies of a range of campaign types and on varying platform delivery success identifiers to see if pricing models have been constructed fairly with proper weighting given to the right elements and thereby parties delivering such elements.

The sustainability of new supply chains within current business requirements

As new Publishing platforms enter the market without the legacy responsibilities, processes and habits of incumbent players, they have a level of agility that allows testing, innovation and flexibility without the same level of scrutiny incumbents would face for a similar launch. The length of time an incumbent waits to either adopt new channels to its mix or invest in technology to keep up with changing expectation of market, can impact their ability to rely on whatever competitive advantage they may have otherwise had (ie: brand reputation etc). This lag in evolution creates a market of platforms with varying levels of technological capability and measurement. Often incumbents will see the shift in the demand for their offerings change incrementally so existing supply chains remain in operation alongside the new ones.

¹ ISBA Programmatic supply chain transparency study (in association with AOP carried by PWC), May 2020

This need to expand rather than replace the supply chain model has extended to the diversification of agency structures as well. Their evolution at different rates in terms of the support they offered campaign management across media channels, expertise and creative capability led to a demand for new expertise. This paved the way for a new wave of support agencies (tier 2 and 3 agencies) to enter the market and provide the necessary agility and skillset that brands needed to advertise with these new platforms. As turnaround times for campaigns increasingly need to match the speed to market which campaigns can now be executed, the expertise required for campaign set up (including creative compliance, custom audience targeting set up and campaign type, responsiveness, retargeting and waste reduction) has led to agencies at all tiers partnering with their client brands on different more open and flexible terms and pricing structures.

New entrants in the advertising supply chain cemented demand with promises to help advertisers provide optimisation, compliance and ultimately access the emerging channels. While this was good for the advertising economy in terms of the increase in jobs there have been complexities and compromised visibility that come with each additional touchpoint between the advertiser and the consumer and the varying terms and pricing structures co-habiting in the one industry. The issue is not just one of transparency of the various supply chains but also the efficiency of having parallel and sometimes overlapping support systems.

Recommendation 3:

ADMA welcomes an assessment of the efficiency and sustainability of an advertising economy with an expanding range of supply chains co-existing to support the introductory of new innovative ways in which to deliver campaigns and targeted messaging. ADMA's member base includes a range of different suppliers along this supply chain and acknowledges that the analysis of these models will need to be careful to ensure that any increase in transparency does not come at the expense of competitiveness and the ability for new businesses to enter the market.

Standardisation of the measurement metrics to reduce mismatched reporting

The organic evolution to the current advertising economy has led to an environment where processes, timings, distribution, and the reporting of campaigns involves many different parties, each with their own contributing role, method of measurement and fee/tax for service. The result is often the comparison of a collection of data which due to discrepancies in timing of collection, methodology etc can appear conflicting. This incongruity is not helpful in building trust.

The assessment of how successful an advertising campaign has been, is usually provided to the advertiser in the form of a report at the end of the live run. The measure of success reported is undoubtedly subject to the insights provided in the summary report. These are set by either the platform in the dashboards provided or by the agency in carefully constructed and possibly skewed (either intentionally or unintentionally) to reflect their intended messaging. This becomes more complex when looking at cross channel reporting, where timings, metrics, processes, technology to extract data etc can differ). There may be some value in having a methodology to follow that fairly assesses campaign success and what could have contributed to the outcomes.

In such a rapidly developing industry, each cycle also brings the introduction of new technologies that allow a marketer some new capability. It is impossible to predict what future innovations in technology and platforms will look like and be capable of. Therefore in setting the parameters around measurement and reporting, the industry needs to ensure it assesses the way in which campaign reporting (especially cross platform reporting) can best measure a campaigns success when targeting to comparable audience sets or via channels with similar parameters of measure. Any such reporting frameworks will need to be fair and flexible enough to accommodate the future (albeit unknowns) and also avoid stifling a platform's or advertisers' ability to either innovate or include all relevant channels in their marketing mix.

Recommendation 4:

ADMA recommends a detailed look into the possibility of standardising metrics of measurement in reporting of campaigns so that advertisers can make a qualitative assessment of the campaign in terms of success. This would assist both marketers and platforms in benchmarking the relative contribution of one dataset over another in the advertising supply chain as well being more informed about what to expect from a campaign. Additionally, the governance underpinning the management of any reporting data needs to comply with a minimum standard to ensure both the privacy of marketers data insights and the personal information and behavioural patterns of consumers that may have contributed to targeting the campaign. ADMA can assist in gathering a comparative dataset across industry to help better understand the extent to which future standardisation may be able to occur.

The level to which scale and depth of data determines success of a campaign

The value of any digital advertising canvas is highly contextual and specific to the particular brand (products or service). The better the granularity, transparency and reliable measurement of user interactions with a digital advertising canvas coupled with the platforms technological ability to promote calls to action, the higher the value attributed to the canvas.

The larger platforms have a demonstrable and largely unmatched ability to seamlessly deliver messaging to digital audiences that are highly granular in its targeting capabilities. This makes it more appealing for a particular product or service that would otherwise find it difficult to identify and serve the identified audience. Additionally attractive is the use of “search” as a jump off point for a user in selecting a product or service. This is where the major platforms (like Google, Amazon and Facebook) can reliably measure user interactions with the digital advertising canvas and correlate these interactions with a users response to a call to action and do so within a smaller frame of time as the sheer scale and reach of the platform lends itself this capability. All this increases the value of the respective platform’s advertising canvas and allows them to command a higher price.

In contrast to this the majority of other publishers, while potentially able to attract a broad audience due to their brand reputation and following, will likely, due to legacy limitations in technology or just lag in ‘catching up’, lack reliable and verifiable differentiation within the publishers audience. This means that in the case of a legacy publisher, comparable audiences can be found elsewhere, thereby depressing the value of the publishers digital advertising canvas. The publisher may be of the opinion that the market power of the larger platform would restrict its ability to be competitive. However this is not entirely true as even though these publishers may not have the same level of granular targeted audience, they still often come much further up the value chain either in the quality of the creative they include or the targeting of creative to particular interests and preferences of particular subsets of audience.

There is also the additional possibility that the value may well be in the brand itself contributing and managing curated data insights about individuals (where those individuals have volunteered consent to the brand), such as through loyalty schemes, competitions and other promotions and other opt-in direct marketing initiatives. In this instance an advertiser would particularly want to ensure that the value attributed to their curated data is properly protected against uses and disclosures that are not fair and respectful of the audience. Therefore, it would be of great concern for the brand to reduce any chance of these curated data insights leaking off to other organisations through the value chain.

Obtaining such value may also be expanded (on either larger platforms or legacy publishers) with the application of martech or adtech (often provided by a third party service intermediary) identifying part of an available audience accessed through a publisher and then targeting the advertiser to that subsegment (e.g Facebook Custom Audiences).

Although the valuation of an audience is not “one size fits all” as quality of curation, contextual validity and sense of timing can all contribute to the advertisers goal of getting the messaging in-front of the “right customer, in the right place, at the right time”, there may be value in evaluating to what level the concentration of first party curated data appears to place limitations on choice, flexibility and network effect advantages and to how that filters to impacting competitiveness in the market.

Recommendation 5 :

ADMA welcomes a market-wide audit to assess contributing factors of success to a targeted advertising campaign with the view that an understanding and/or education of such contributing factors to the campaign itself (separate to the supply chain provider) would better inform advertisers on the elements to be considered for future campaigns (including but not limited to) platform capability, brand equity, creative collateral, market targeting capabilities and contextual significance. This will help advertisers evaluate the true value that needs to be attributed to behavioural data and targeting via platforms of scale and improve competitiveness in the market for all sized market participants.

Valuation of the bidding processes and setting of floor prices between platforms

Data is the lifeblood of the online advertising industry, enabling brands to target advertising and to analyse campaign performance and impact. Access to data in the online advertising market is increasingly divided between the “walled gardens” of major internet companies and the fragmented open net. Developing a joined-up view of consumers across devices and browsers is difficult. Market participants work together to share data - publishers choose to allow third-party ad tech vendors to collect data from their webpages and apps in order to achieve the best price for their inventory. This approach leads to data leakage – buyers able to see certain publisher user data (pseudonymous) and develop a view of these users.

The current practices allow terms and pricing of data to be determined in isolation to those paying to seek the access. The dynamics of auction based access to data suggests that there is participation from all in determining pricing (ie: through the bidding process), but the floor price and the conditions around access are still determined by those holding the data. Given these imposed conditions there could be a level of distortion in comparing whether the value and pricing being derived from an ad placement is reasonable.

A clearer understanding of the methodology applied to valuing data, the terms of access, practices of those bidding for data and the actual demand included, would help all market participants to make more informed decisions around their own budgeting, retention of agency services and the value of the data they are using at the time of a campaign. This is highly contextual and specific .

Recommendation 6: ADMA sees great benefit in identifying where and how the value is attributed in the auction bidding process and what transparency and accountability measures might be appropriate to identify that an advertisement has been served to the intended audience as well as anything else in this process that needs to be improved to validate the value chain and make all those involved more informed and/or responsible.

Brand Trust and digital marketing practices

New technologies make targeting more granular and personalised according to behaviour. Increasingly models are based on an ‘audience of one’, where the targeted content has been personalised to an individual, not to a mass audience.

Digital advertisements that are well targeted to inferred attributes, behaviour, preferences of interests of a particular digital audience are welcomed by most individuals. However, that is only the case when there is consumer trust as to the brands and as to the digital marketing practices of those brands. There are varied elements that contribute to that trust including (but not limited to) the consumers rising concerns around their privacy rights, in an environment that endorses and encourages sharing of information.

Even though platforms offer more opportunities for consumers to access their data and have a level of control on the types of advertisements they see, consumers still struggle in balancing what they find acceptable and what encroaches on their rights.

A consumer's trust as to brands, and as to digital marketing practices of those brands, are directly and closely correlated. The trust of prospective digital audiences is key to the sustainability of targeted digital marketing as a business model: individuals targeted as prospective purchasers of a product or service will react negatively if they feel that they are being taken advantage of, undervalued or not treated with respect.

The digital trust of individuals within a digital audience requires demonstrable and ongoing delivery by marketers of a complex combination of:

- relevance and variety (not overly narrow targeting) of digital advertisements,
- transparency as to source,
- respect for the individual (no spookiness), and
- minimisation of collection and handling of personal information about individuals.

The data being used to target a communication, the platform of delivery, the messaging itself and the consumers reception of such messaging all needs to be considered, as this will determine the level of trust in both the brand and the brands digital marketing practices. A consumers level of trust can extend to the way in which they view the platform of delivery as well.

Fair and transparent practices in targeted digital marketing promotes consumer welfare and should be sustainable and practical. The unfair and disrespectful use of data does unfortunately exist and contributes to the underlying distrust of the overall digital industry. Abuse of digital trust of individuals however is not a sustainable business practice and the practice of unscrupulous businesses deriving business benefit, and causing individuals to suffer any level of harm (such as through unfair or inappropriate targeting, or over-collection or misuse of personal information about them) must be identified efficiently and minimised with more awareness around best practice and respect for privacy.

ADMA has proudly worked together with its members (providing data best practice guidance, advocacy and education) and has witnessed a widened cross industry respect for privacy and the growth of good data curators. The actions of those business who attempt to free-ride or present themselves as a brand other than themselves threaten to undermine those who conduct themselves with high standards in this space. Without trust, data will lose both its value and the ability to build on that value.

Recommendation 7: ADMA believes that an evaluation of effectiveness of both regulation and processes can play a key role in promoting fair and transparent practices in targeted digital marketing as well as protecting individuals from harm. ADMA can assist with providing information on how businesses have evolved to operate in this space and some of the challenges they face as business parameters extend and global data best practices evolve. ADMA agrees that more transparency and a better understanding of value points is good in promoting fair competition in the supply chain.

Conclusion:

As an industry matures, in the way the digital advertising services industry has, it becomes an integral part of everyday life. Therefore, ADMA supports the ACCC's digital advertising services price inquiry, seeing it as an opportunity to evaluate and enhance an industry which contributes much to society (including innovation, free access to services and content and stimulus to the economy)².

Accountability and transparency in this industry will help the market to further develop efficiently and effectively. This inquiry is an opportunity to clarify and enhance the *Advertisers* right to better understand where their budgeted spend is going; the Agency's / Intermediaries right to be compensated for their expertise / service; the Publisher's right to innovate their platforms in a way that engages their audience and curates data insights and then charge for access that audience in acceptable ways; and the Consumers right to be better informed about their digital (and data) rights and to have a good customer experience.

ADMA supports a competitive, transparent, efficient, healthy and sustainable digital advertising economy and looks forward to working with the Digital Platforms Branch in relation to this Digital Advertising services price inquiry

² Lowcock, Joshua (2020) 'The 3 R's of Digital', *MediaPost – Digital News Daily*