



Submission to

ACCC: Digital Platforms Inquiry

on behalf of

Australian Association of National Advertisers

April 2018

Introduction

The AANA welcomes the opportunity to provide this submission to the ACCC Digital Platforms Inquiry.

The AANA is the peak body for advertisers and has represented national advertising for 90 years. It represents the common interests and obligations of companies across all business sectors involved in the advertising, marketing and media industry.

The AANA has a strong ongoing commitment to self-regulation. The AANA designed and delivered the self-regulatory component of regulation controlling advertising and marketing communication in Australia.

The AANA's self-regulatory system applies to all media and virtually all forms of advertising and marketing communication. The AANA protects the rights of consumers by helping to ensure advertising and marketing communication is conducted responsibly, including through its development and administration of industry codes and the overall self-regulatory system.

The advertising, marketing and media industry plays a fundamental economic role in society - contributing approximately \$40 billion to the Australian economy and employing over 200,000 people¹. It is the driver of consumer choice and, by promoting competition, helps consumers get better value for money. It enables innovation to be brought to market and stimulates economic growth and jobs.

Basis for this submission

The AANA represents Australia's foremost advertisers, both large and small, from all areas including telecommunications, finance, insurance, fast moving consumer goods, food and beverage, health and beauty, and automotive. Advertisers make up the majority of the AANA's membership base. Media providers, as well as advertising agencies and digital platforms (including Google and Facebook), are also members of the AANA, as media and service provider members respectively under the AANA constitution.

This submission is provided on behalf of the AANA's advertiser members. Part 1 provides information about the AANA and the self-regulatory system for advertising in Australia. Part 2 addresses the themes raised in the Digital Platforms Inquiry Issues Paper. It has been prepared using Ebiquity, an independent marketing and media consultancy, and service provider member of the AANA, as a resource.

Part 1: AANA self-regulatory system

Background

Self-regulation is an essential part of the Australian business landscape and contemporary society. The current self-regulatory system for advertising and marketing communication in Australia was established by the AANA in 1997. Its establishment was due to advertisers' recognition that they have a responsibility to deliver marketing that is aligned to community standards and expectations.

¹ *Advertising Pays: the economic, employment and business value of advertising*, June 2016
<http://www.advertisingpays.com.au/>

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The AANA system of self-regulation sits alongside and complements systems of regulation, co-regulation and self-regulation. It provides a flexible mechanism to meet the challenges of the ever-evolving advertising, marketing and media industry, along with changing community expectations.

The self-regulatory system, including complaints handling, operates at no cost to the consumer or to government. The AANA is funded by membership fees. Funding of Ad Standards and its secretariat support of the Ad Standards Community Panel and Ad Standards Industry Jury is provided through a voluntary levy on advertising spend.

Codes

The AANA self-regulatory system provides Codes that reflect community standards in relation to advertising. They are developed and have evolved with public and industry consultation. The Codes are technology and platform neutral, providing a uniform set of self-regulatory standards that apply to all advertisers, regardless of AANA membership.

The Code of Ethics is the cornerstone of the advertising self-regulatory system and is supplemented by a Children's Advertising Code, a Food & Beverages Advertising Code, an Environmental Claims Code and a Wagering Advertising Code.

In maintaining the AANA self-regulatory system, the AANA reflects brand owners' intent to continue to meet the community's expectations for ethical standards in advertising and marketing communication. The Codes continue to evolve so that they remain relevant and universal. This is evidenced by two recent major initiatives instigated by the AANA to enhance the Code of Ethics.

Firstly, the inclusion of a requirement that advertising must be clearly distinguishable as such to the relevant audience, allowing consumers to complain to Ad Standards about advertising material they believe is masquerading as editorial or other non-promotional material. Secondly, an amendment to the requirement in relation to the use of sexual appeal in advertising, which now stipulates that the use of sexual appeal in either an exploitative or degrading manner will breach the Code.

The system is recognised and endorsed through inclusion in other self and co-regulatory systems, and all major media owners have agreed to support the decisions of the Ad Standards Community Panel.

Complaints

Complaints about advertising are directed to Ad Standards, which administers the operation of the independent adjudicators who comprise the Ad Standards Community Panel². The platform neutral self-regulatory model provides for Ad Standards to receive all complaints without the consumer having to consider the medium, or location, in which the relevant advertisement appeared.

Brand owners who are found in breach of the standards are required to remove or amend the relevant marketing material, irrespective of the platform. The resulting commercial consequences of breaching the Codes include:

- the direct and indirect costs of withdrawing an advertisement; and
- the reputational cost when a non-compliance decision is made public, including possible adverse media coverage.

The compliance rate with Ad Standards Community Panel determinations is currently 98 per cent as an overall average during its history.

² <https://adstandards.com.au/about>

Part 2: Issues Paper

Media and advertising services markets

The AANA considers the following are relevant to the overall media and advertising services markets:

Markets	Market participants	Competitors
<ul style="list-style-type: none"> • Direct to publisher media deals • Direct to platform media deals • Programmatic media markets • Markets for programmatic data • Market for services between agencies and advertisers • Markets for ad technology • Markets for ad verification technology 	<ul style="list-style-type: none"> • Advertisers • Advertising agencies • Digital platforms • Major content publishers/media vendors • Content creators • Data aggregation companies • Ad Exchanges • Demands Side Platforms • Sales side platforms • Third party verification companies • Ad tech alliances 	<ul style="list-style-type: none"> • Digital platforms • Major content publishers/media vendors • Data aggregation companies • Ad Exchanges • Demands Side Platforms • Sales side platforms • News media companies • Content creators

Market share

From an advertiser perspective, market share is often linked to scale, for example, the number of users, time-spent, and frequency of usage are all key measures. These measures are often tracked by third party vendors such as Nielsen. The above measures need to be overlaid with the advertising opportunities, or lack thereof, that are available on these platforms. For example, Netflix may command substantial amount of user time but has no current opportunities for advertisers, as it is entirely subscription funded.

The simplest and most effective way to assess the relative market share of digital platforms is the amount of total advertising dollars they receive. However, obtaining accurate numbers is difficult as the major platforms do not release their revenue figures specifically for Australia. The recent IAB Australia Expenditure report³ estimated that of the \$7.9b spent on digital media advertising in Australia in 2017, search and directories accounted for \$3.57b. Google's Search results that is, AdWords, is a significant participant in this market. The report also estimates general display advertising is about \$2.85b, with \$1.1bn of that spent on video.

The ability for digital platforms to increase market share is expanding mainly through a broadening of their offering to encompass more services, technologies and channels. For example, Apple now distribute news, advertising, music, streaming video, provide payments, hardware and software. Similarly, Google offers software, hardware, payments, music and video streaming.

Many users tend to opt into one platform over another and can then take advantage of the bundled linkages between the products, services, hardware and software that are available when one platform is used to provide all of these services. However, consumers do not need to agree to use an online

³ IAB Australia, *Online Advertising Expenditure Report - Quarter ended Dec. 2017*, <https://www.iabastralia.com.au/research-and-resources/advertising-expenditure/item/11-advertising-expenditure/2454-online-advertising-expenditure-report-quarter-ended-dec-2017>

platform exclusively and have the ability to try alternative online platforms, or alternate between platforms, as they see fit.

Impact on users

As discussed below, technological change continues to deliver improvements for traditional media offerings, allowing them to maintain their relevance in the suite of advertising services available. However, there has been a shift of advertiser dollars from traditional to digital media. Within the digital media category, while there are alternatives to major digital platforms, the scale of the dominant platforms cannot be ignored by advertisers. The approach of digital platforms to obtaining user loyalty data has a flow on effect for advertising. In order to effectively penetrate a consumer's media consumption, if a consumer is linked to one platform, then an advertiser must work with that platform to be able to target that consumer.

When it comes to search engines in particular, while there are multiple options available at no charge to consumers, the experience of AANA advertiser members is that user concentration in the use of Google inevitably leads to a level of advertiser concentration in the use of that platform.

In terms of other media, including radio and screens generally (for example, television and cinema), advertisers do not believe the market to be as concentrated. Although there have been a number of new entrants into the social media space, Facebook and its many platforms, remain dominant, but not exclusive. While most advertisers are maintaining their investment in traditional channels, in the longer term, the AANA expects that the continued growth of digital and declining traditional media usage will mean advertisers will need to increasingly prioritise digital channels.

It has been reported that Facebook and Google together now capture around 75 per cent of all digital advertising in the United States market (up from 63 per cent in Q2 2015)⁴. The exact figure for Australia is not known as it is not currently reported. Again in the United States, Amazon's search facility has an increasing number of users, with a survey by BloomReach finding that 55 per cent of product searches in the United States emanate from the platform⁵. Earlier this year, the then CEO of WPP noted that in 2018 his company would increase its spend with Amazon from \$200m to \$300m, which compares to a spend of approximately \$5b and \$2b with Google and Facebook respectively⁶.

For consumer users, there are a range of digital platform alternatives but users are also attracted to scale and the concentration of friends/content/opportunity to share that major digital platforms provide, that is, the value of the platform is established by the fact that it has attracted many other users. Unless there is a mass defection from one platform to a competing one that offers a similar service, users tend to remain on that platform.

For content creators, digital platforms provide large audiences and a cost efficient means to distribute their content. Content creators also have a range of alternatives open to them however many smaller platforms lack the scale that creates cost efficiencies in content production and distribution, compared to the major digital platforms. The '24 hour news cycle' has increasingly reduced the attention span of online users and has increased the demand for content and therefore, content production.

⁴ Pivotal Research Group, reported at <http://fortune.com/2017/04/26/google-facebook-digital-ads/>

⁵ <http://go.bloomreach.com/rs/243-XLW-551/images/state-of-amazon-2016-report.pdf>

⁶ <https://www.cnbc.com/amp/2018/01/23/amazon-is-threatening-googles-ad-space-monopoly-wpp-ceo-martin-sorrell-says.html>

Advertising and technological change

Choice of media

Australian advertising expenditure has changed significantly over the last 10 years with a radical shift in ad spend away from the traditional media channels of print and magazines and towards digital media, including digital platforms such as Google and Facebook, online publishers such as Mashable and Business Insider and advertising networks such as Quantcast and Unruly. This progressive swing towards digital options and digital platforms means that they are now absolutely part of the consideration set for advertisers.

The shift from broad reach channels like TV, radio and press to more direct and addressable media has occurred as customers demand that advertisers recognise their loyalty and expect relevant messages and offers from advertisers. One-to-one communication has increased in importance to advertisers as a result – targeted offers and messaging tailored to “life moments” relevant to the individual customer are examples.

Media expenditure is highly fragmented and mobile, social, video channels continue to impact where advertising spend can be efficiently placed. More recently, within digital media, there has been a shift in spend towards the major social media platforms and video platforms. This shift has been at the expense of the major content publishers. Similarly, the rise of mobile technology has delivered greater scope for advertisers in terms of advertising formats, direct consumer communication and location based services.

However technology has also brought more options within traditional media. Television continues to be an important and effective channel in many categories, along with radio, cinema, and out of home. For example, some retailers can now be considered medial channels as they offer digital out of home advertising opportunities within their footprint. A decline in print expenditure is more obvious, however, the some traditional print brands operate online and offer good opportunities to target certain demographics.

The situation is summed up in the PWC Media & Entertainment Outlook which shows total Australian entertainment and media spending grew by 3.8 percent in 2016⁷. Considering the advertising market specifically, the Report notes:

“the advertising market continued to grow in 2016, growing by 7.2 percent on 2015. However, these revenues are spread over many players and channels. Internet advertising again experienced the most growth, increasing by a healthy 22.4 percent while out-of-home grew by 10.6 percent from continued growth in digital out-of-home revenue.”

It is important to remember that not all advertisers make use of digital platforms depending on the brands or products that they offer. Where a brand is targeting a demographic that are not high social media users, for example, the communication strategy for that brand will focus on other media. Brands that have a younger following find social media more relevant to their marketing mix. The impact of digital platforms here is a diversified a landscape and the ability to engage with consumers using a two-way format, where as previously communication could only be one-way.

While choice of media in which to advertise has expanded, some advertisers have experienced that the amount they have to spend has not grown, or has grown gently as a percentage of sales. The shift in digital advertising spend at the expense of more traditional channels such as television, press, and radio, is expected to accelerate.

⁷ PwC Outlook: Australian Entertainment and Media 2017 – 2021, <https://outlook2017.ezimerchant.com/>

Programmatic media buying

A major technological change in advertising has been the introduction of programmatic media buying. This buying approach does away with direct media deals based on a fixed volume agreement at a fixed rate between buyer and seller and instead allows technology to facilitate media trading using data and algorithms. Now, instead of there being a buyer and a seller and a contract for sale, there are a range of intermediaries, data providers and technology providers involved in the ad buying process.

The introduction of automated buying such as programmatic and real time bidding delivers additional benefits to deliver the placement of targeted ads at scale. However, in the view of some members, this change has led to reduced transparency in the way an advertiser's dollar is actually spent. The complexity makes it difficult for advertisers to follow the money trail. There is potential for those in the supply chain to make undisclosed commissions at various points in the process.

The AANA has urged advertisers to be vigilant to ensure they are aware of the number of intermediaries involved in the buying process and to understand the proportion of their advertising dollar that goes to advertising vis a vis commissions.

Growth of subscription-based models

Increasingly, audiences are consuming non-ad funded content. More and more consumers happy to make smaller and regular payments for access to content to avoid advertising and to access premium content. The penetration of Netflix and Stan for video content, Apple Music and Spotify for music, and the rise of pay walls around new content, are all good examples of the new way content is being consumed which locks advertisers out of potential advertising opportunities.

Netflix particularly has been the cause of the dramatic drop in television audiences after 8:30pm most evenings. This shift has reduced the amount of mass media opportunities where advertisers are able to reach their target audiences, and this has had the effect of significantly increasing the demand for the remaining advertising space, even though audiences have declined over time.

Market impact

As Australians have become prolific users of digital technology, the Internet has brought new opportunities for expression and for commerce; it has lowered costs of entry for new enterprises, and Australians are enjoying more choice, diversity and competition as a result. This technology has brought with it challenges to businesses born in the pre-Internet era which are adjusting to the new and different opportunities of the digital world, and created significant opportunities for others. The change has largely been consumer-led, and consumers have realised substantial benefits from the disruption of these markets.

Technological innovation, including digital advertising, has also been transformative for the advertising sector and for Australian advertisers. Overall, technological change has contributed to increased competition in all media, not only digital, for example, subscription television and digital out of home sites. Within the broad context of digital media, advertising extends beyond simply being placed on a website other categories, such as in app and in game advertising, and adver gaming which refers to a game specifically made to advertise a product.

Innovation has driven competition as traditional channels try to keep up with new players, whilst technology itself enables innovation. For example, traditional media companies are forging new alliances and innovating their advertising services in terms of addressable television which provides the technology to exploit the granularity of user data and simultaneously exploit the effectiveness of television. Other examples include the News Corporation launch of its programmatic advertising platform, the News Prestige Network, and the Fairfax Media partnership with Google across digital advertising, technology and product development for its Australian Metro Publishing business.

Digital platforms and their popularity within any given geographical boundary have changed the social landscape. Technology drives consumers' expectations on how and in what form they are entertained, receive information and content, and connect with other people. Technology has also driven a range of new job categories that did not exist previously. An increasingly important category for advertisers is the role of influencers - users who have a large following on social media or other digital platforms. Brands hire influencers to endorse their products or services within photos and videos, which essentially act as word-of-mouth communication.

Today, voice assistants; augmented-reality platforms; new devices like smart TVs and home speakers; the resurgence of branded content, native advertising and presenting sponsors; and even blockchain-enabled marketing suggest that the future of digital advertising will be characterised by new innovation.

Advertising and digital platforms

Advantages

Technology has increased the range of services in the advertising market and as such, increased the number of players in the ecosystem. In its report Digital Dollars⁸, PwC notes:

Online advertising is an important part of the complex and highly dynamic economic ecosystem that enables the creation and delivery of a huge range of content and services to millions of people across Australia every day...[It] is tightly intertwined with and supports many other important industry sectors such as ecommerce websites, software and hardware businesses, web design and hosting, web and mobile applications and the free ad-supported content and services utilised by Australians.

Digital platforms have provided a number of positive impacts for advertisers, offering strong and innovative advertising services to the market. These services empower advertisers with robust targeting and format options. In conjunction with cost efficient buying methodologies, digital platforms are appealing for advertisers.

The ability for advertisers to reach their desired audience, confident in the accuracy of the targeting and armed with insights that will drive relevant messaging enables a much more effective marketing approach compared to broad brush techniques that some more traditional channels offer. The greater potential to target specific audiences assists in the ability to measure the short term effects of a campaign with respect to consumers and sales.

Audiences are spending a greater proportion of their time on these platforms, and so advertising dollars have followed the audience. As spend has increased, the platforms have continued to improve their offerings allowing advertisers increasingly successful ways of targeting and engaging with consumers, including offering goods and payment in real time.

In addition, advertising on digital platforms can help to drive consumers to brand owned websites and apps. Many commercial enterprises have become very successful through an online only focused strategy, building a brand and following entirely through social media.

In terms of price, this varies on the type of advertising that is being placed and the role that advertising is playing in an overall campaign. However, because there are a variety of buying methods available via digital platforms, advertising budgets can be deployed in a nimble, responsive manner and can be optimised in real time.

⁸ PwC, *Digital Dollars: How internet advertising is fuelling the Australian economy & society*, <https://www.iabaaustralia.com.au/research-and-resources/research-resources/item/12-research-and-resource/1615-pwc-iab-digital-dollars-report-june-2013>

In summary the key advantages of using major digital platforms are:

- large audiences, reach and scale
- relatively cost efficient
- effective audience targeting
- engaging formats for brands to connect with audiences.

Disadvantages

For some of our advertiser members, the benefit of using digital platforms is tempered by the perceived stringent controls that digital platforms place on advertisers. The core of this issue is that most digital platforms operate within tight boundaries or walled gardens. Advertisers are constrained to only working within that particular platform's guidelines which do not allow cross platform benefits.

Each platform requires a core skill set to understand, identify, develop content and manage results effectively. This means those providing advertising services through digital platforms have the ability to provide a unique skillset faster than advertisers can employ and change internal capabilities to leverage each platform. This capability is a core competitive advantage advertising services providers hold now and into the foreseeable future. The result may be a position of strength for service providers and big advertisers who can identify and use multiple platforms effectively, however this is not a luxury the majority of advertisers will be able to afford.

A key risk for advertisers is a lack of transparency in measurement and viewability. While digital platforms offer more to advertisers in terms of immediate measurement of campaign results, these measures and results are not independently audited. Nor is there the opportunity to compare across platforms due to the difference in metrics used.

Until recently, digital platform providers have been unwilling to allow third party verification. This differs to other vendors, the majority of which are open to and understanding of the need to be transparent with advertisers. Some advertisers believe these impacts will continue to proliferate and create imbalance in the market as long as measurement technology is led by those who deliver platform technology.

In summary the key disadvantages of using major digital platforms are:

- the impact of walled gardens
- the use of non-standard metrics to report on campaign performance
- the use of non-standard ad formats
- self-reporting by digital platform providers in lieu of independent validation of results.

Digital transparency

In November 2017, the AANA, together with IAB Australia and the MFA, announced the establishment of a working group to design and publish a common set of best-practice operating standards to improve viewability, transparency in the digital advertising supply chain, to reduce fraud and improve brand safety.

The working group is drawing from best practice solutions being developed in overseas markets and seeking input from all interested parties to ensure the standards are universally applicable, practical and relevant. This activity follows on from the AANA's work in 2016 on a media contract template and ad viewability standards.

AANA Media Contract

In October 2016, the AANA produced the AANA Media Contract Template and the AANA Media Contract Guidance Notes to help advertisers obtain greater transparency over the return and effectiveness of their media investment⁹. The Media Contract was designed for use between advertisers and their media agencies. The AANA believes that strong contractual relationships, together with capability-development to manage ongoing media agency relationships, are the keys for advertisers to obtain greater transparency and build more trusting and enduring business partnerships.

The AANA Media Contract Template draws on the Media Contract Template published by the Association of National Advertisers (ANA) in the United States and was specifically adapted for the local market.

The AANA Media Contract Guidance Notes support the template, providing marketers with a 'long-list' of considerations and questions that should be addressed, to enable them to reduce or eliminate non-transparent and non-disclosed practices that relate to their media spend. They are designed to ensure that all revenue earned by agencies and related parties is detailed in the contract, unless explicitly agreed otherwise.

There is no obligation on advertisers or AANA members to use the template. Advertisers are free to negotiate whatever terms and conditions they deem appropriate.

Ad viewability

Ad viewability was identified as a key issue for the AANA Media Reference Group and in October 2016, the AANA published a discussion paper on the topic¹⁰. This paper was written to inform marketers about viewability and to equip them to have appropriate conversations with their media partners.

The AANA hoped to encourage an industry-wide discussion on moving towards a position where advertisers pay only for ads that consumers can actually view. Currently many online ads served are not viewable because they appear below the fold on the webpages, or because it takes too long for the content to be served. Advertisers are charged for these impressions even though consumers do not have the opportunity to see them. Viewability is about ensuring that consumers have the opportunity to see the ad, that is, the ad is loaded on the screen and visible to consumers.

At the time of the discussion paper, the latest bi-annual Media Quality Report, published by Integral Ad Science, had analysed billions of ad impressions throughout the world and showed that more than half of all ads served in Australia were not viewable, according to the Media Rating Council's definitions.

It is the view of the AANA that advertisers should be expecting their current digital campaigns to have 70 per cent of the ads they buy to be in view with a transition to only paying for ads that are in view by 2018. If at least 70 per cent of ads in a digital campaign are not in view, the AANA believes the advertiser should seek recompense.

⁹ <http://aana.com.au/knowledge/resources/8941-2/>

¹⁰ <http://aana.com.au/knowledge/resources/aana-launches-paper-ad-viewability/>

Cross-media standard

The Media Rating Council (MRC) was established approximately fifty years ago in the United States as a result of Congressional Committee hearings on the purpose and accuracy of audience research. The MRC administers minimum standards for rating operations and accreditation of rating services.

The MRC is working on a new viewability benchmark which it plans to deliver late this year, pending further research it intends to conduct. The benchmark involves improving standards that help define the measurement of audience, engagement and sales lift. A cross-platform standard would enable, for example, digital video to be compared to linear television.

Additionally the MRC has a goal of moving the digital viewability standard to 100 per cent to enable a cross-platform standard. At present, the global standard for a digital impression is that a human has the opportunity to see 50 per cent or more of an advertisement's pixels for at least one second in a static banner ad or two seconds for a video. This is significantly different to television where all ads are 100 per cent viewable.

Brand safety

The use of algorithms as part of programmatic buying as led to a lack of control on the part of the advertiser with respect to advertising placement. There are many publicly available examples of advertising placement on inappropriate websites, in conjunction with inappropriate content (such as a video pre-roll ad), or targeting inappropriate audiences.

Across display and video for both mobile and desktop, programmatic buys for advertising can have a greater likelihood of exposing brands to unsafe content when compared to direct buying. Programmatic platforms are engineered to bring advertising to thousands of publishers simultaneously. The 'long-tail' sites (that is a larger number of sites with smaller numbers of users) featured on these platforms can offer cheap scale, however the disadvantage is that advertising may appear next to low-quality or sensational content.

With heightened concerns about brand safety and transparency, some advertisers are taking control of their programmatic advertising activities by creating or expanding in-house programmatic media-buying capabilities, reducing the role of external agencies that previously handled those responsibilities.

Digital platforms and user data

Access to data

The digital ecosystem, of which digital platforms are a part, accesses and relies on user data. Digital platforms generate high quality first party data. Advertisers value highly the quality of the user data that can be utilised by platforms for advertising purposes. Other industry participants, such as ad networks and publishers also collect user data and use it to better target advertising and content.

It is important to note that advertisers do not receive or purchase individual user data information when they deal with digital platforms. Rather the platforms provide services based on user data which the platform owns, that help advertisers reach audiences with preferred characteristics, at preferred times, in preferred places. Data and technology enable platforms to match users who are likely to be interested in a product or service with advertisers who are trying to promote that product or service.

Consequently, user data is important as it allows advertisers the opportunity to tailor messaging that is relevant. It also ensures advertisers are talking to the right consumers and assists in minimising wastage. The data collected by digital platforms takes on many forms:

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- Demographic
- Behavioural
- Interests
- Connections
- Affiliations
- Comments, views, opinions.

While digital platforms have access to user data that is helpful to advertisers, advanced analytics and marketing automation tools add cost. Better equipped advertisers are positioned to take advantage of this market as obtaining an advantage comes at a media and capability cost. Advertisers are generally willing to pay a fair price for access to services utilising user data when that data can be used to help increase the effectiveness of their advertising (that is, the advertising that is “enriched” with data generates a better ROI than advertising that was not bought in such a way as to leverage user data). Digital platforms allow advertisers to leverage their user data for targeting purposes, and this remains an attractive differentiator as compared to most other advertising solutions.

Among advertisers, there is a perception of information asymmetry because major digital platforms hold deep insights into audiences, making it difficult for advertisers to ignore the opportunity these digital platforms offer, even though there may be smaller players in the market. While there is no compulsion to use one digital platform over another, it is incumbent on advertisers to obtain maximum ROI on their expenditure, funnelling them to use digital platforms that have access to the greatest number of consumers.

It also appears that a concentration of a large number of users on a platform is preferred for users. The collection of a large network of friends and contacts has fuelled this scale and has created a large amount of content that users consume on these platforms. Publishers, such as the BBC or the Sydney Morning Herald, have followed these users, making their content available for consumption on these digital platforms. This in turn, increases time spent and has made users attention a currency in its own right.

Data concerns

The key concerns for advertisers in relation to user data are measurement transparency and data privacy. Advertisers expect that the collection of data by digital platforms is done with the users’ consent and that the policies relating to this consent are clearly and readily made available to the user.

Data privacy is critical as it provides the basis of trust between the consumer and the digital platform. Any erosion of that trust can lead consumers to become resentful of the digital platform, or to go elsewhere, which in turn impacts the value advertisers receive for their advertising dollar. A key benefit of online advertising is the ability to target ads more effectively using data. If that is curtailed by consumer mistrust, advertisers will face increasing difficulties delivering their marketing objectives.

Measures announced by Facebook to date in an effort to address ongoing concerns about data privacy are encouraging, although we recognise that this is just the start of a long journey of further improvements required to restore trust and confidence where it has been eroded for users and hence advertisers.

Transparency is a similarly critical metric to enable advertisers to assess not only who is receiving their messages, but the quality of interaction the consumer has with the communication. It provides the basis for a qualitative assessment of price versus value, and is the basis of trust between the advertiser and digital platform.

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Brands are also collectors of first party user data, including through their own digital platform interactions, and are well aware, not only of their obligations under data protection regulations, but of the impact on consumer trust that data misuse or mismanagement can cause. Where relevant, AANA members are preparing for the commencement of the GDPR in Europe and using its introduction as an opportunity to focus their attention on the kind and quality of consent they receive from consumers, as well as ensuring they are transparent in how they intend to use data obtained.

Legislative framework

As they increasingly become and act as media publishers and not just content aggregation platforms, the issue of appropriate regulation for digital platforms as content creators and distributors should be considered.

Consumers are now accessing and consuming a vast share of their media consumption on these platforms, with advertising products placed against this, further strengthening the case for consistent regulations to protect advertisers and consumers alike.

As aggregators, platforms have a responsibility for ensuring users have a way of confirming the validity of what is being discovered on their platforms. Rules around the dissemination of misleading or false information, should apply to all platforms.

The major digital platforms have recently taken additional steps to collaborate with industry bodies such as the IAB to allow more third party verification of their media performance. As mentioned, along with access and safety of user data, measurement and verification are of critical importance to advertisers. Independent auditing metrics and universal viewing standards are both avenues for industry self-regulation, to enable advertisers to be clear on price and value.

Recent media scrutiny has helped to create a sense of urgency for platforms to address some of the concerns of users and the advertising community. This has the potential for generating a positive step forward on the part of digital platforms.