

SBS SUBMISSION TO AUSTRALIAN COMPETITION AND CONSUMER COMMISSION DIGITAL ADVERTISING SERVICES INQUIRY MAY 2020

Key Points

- SBS welcomes the ACCC's *Digital Advertising Services Inquiry*. SBS is a participant in the digital advertising services market (the **Market**), as both a publisher and an advertiser.
- SBS supports measures that can increase transparency of the operation of market intermediaries—further information, including about pricing, rebates and revenue flows, will assist participants to make more informed choices about the use of ad agency and ad tech services.
- SBS has observed concentration of market power as well as the trend of mergers and acquisitions, including around technology—which, in most instances, reduces market competition and efficiency. SBS supports management of disparate levels of market power.
- Thirdly, on the role and use of data, SBS as a publisher collects and acquires data for use by advertising purchasers. Nevertheless, the data availability is not on the same scale as those by major digital platforms such as Google—which are able to aggregate a vast amount data at a relatively low or no cost.
- SBS has observed increased vertical integration as well as bundling of services, particularly among major digital platforms—which, in most instances, reduces competition and cost efficiency. Nevertheless, these behaviours may have some benefits, such as providing streamlined operations for market participants.

Introduction

The Special Broadcasting Service Corporation (**SBS**) welcomes the opportunity to comment on the ACCC's *Digital Advertising Services Inquiry* (the **Inquiry**) and the *Digital Advertising Services Inquiry Issues Paper* (the **Issues Paper**). SBS recognises that the Inquiry follows the findings of the ACCC's *Digital Platforms Inquiry*, which delivered its final report (the **Final Report**) in July 2019.¹

SBS is unique in the Australian media environment, with a principal function of providing multilingual, multicultural and Indigenous radio, television and digital media services that inform, educate and entertain all Australians and, in doing so, reflect Australia's multicultural society.²

¹ The Issues Paper, page 2.

² SBS [Charter](#).



SBS reaches almost 100 per cent of the population through its five free to air television channels (SBS, SBS VICELAND, SBS World Movies, SBS FOOD and National Indigenous Television (**NITV**)) and seven radio stations broadcasting in 68 languages other than English (with audio content also available via the SBS Radio App). SBS On Demand, SBS's video-on-demand service, provides more than 7,000 hours of exclusive and distinctive content across key genres such as drama, film and documentary, including SBS commissioned content—a vast collection of which are stories otherwise untold by other media.

Under the *Special Broadcasting Service Act 1991* (the **SBS Act**), SBS has sole responsibility for determining its content, with the SBS Board being empowered to make decisions about the types of advertising SBS may run on its services³. As such, SBS participates in the Market as a publisher of advertisements. In addition, SBS also participates in the Market as an advertiser, where advertisements for SBS programs and services are placed on other platforms. Therefore, SBS interacts with market intermediaries, including advertising services and ad tech services (many of these services are offered by major digital platforms, particularly Google) in both directions—publishing and purchasing advertisements. SBS is a client of the market intermediaries.

Key issue 1): whether market participants have enough information (including about pricing, rebates and revenue flows) to make informed choices about the use of ad agency and ad tech services

SBS as a publisher

As a publisher the following information is relevant to SBS making informed decisions about selling display advertising inventory:

- Bid rate information in a programmatic auction, including
 - The bid rate
 - Number of bids per auction
 - Win rate
- Technology costs/fees
- Data involved, including
 - Data transferred or exposed in the bid request
 - Data absorbed in the bid request
- How the data is used once it is absorbed by the buyer
- Buyer targeting parameters

There are barriers for SBS to access this information. Within a programmatic auction, ad tech services control the flow of information from the bidder to the seller. Each ad tech provider has a different level of transparency from supply-side platform (**SSP**) to demand-side platform (**DSP**) to exchange bidding.

Some ad tech providers, such as Google, have a low level of transparency around information sent to buyers via bid requests. As a result, SBS does not know what data is visible and usable by these buyers when they make decisions on purchasing SBS's advertising inventory. Google, in particular, has also removed a number of key insights from its reporting tools, which

³ The SBS Act provides for the SBS Board to manage the operations of SBS, authorising the Board to decide the strategies to be followed by SBS in performing its functions, and to ensure that SBS performs its functions in a proper, efficient and economical manner and with maximum benefit to the people of Australia (section 9). (In relation to advertising see sections 45(4) and (6) and 45A(2) and (4)).



informed decisions around pricing and the effectiveness of Google's services, when compared to others'. This removal of reporting tools has been a significant challenge for SBS.

Regarding the sale price of inventory, and the revenue received, SBS is generally able to access this information. Reporting and real time auction results are accessible to the sellers, and can easily be compared to revenue SBS receives.

There are, however, significant exceptions—in some areas of Google's (AdX) platform, bid cost-per-mille (**CPM**), clearing CPMs and total gross revenue information have been removed. Revenue is reported on as 'net', with reports of Google's revenue share rather than the total sale price. Within some forms of Google's auctions (e.g. open auction and private auction), the sale price and the revenue SBS receives is unverifiable so SBS assumes with a level of trust that the correct revenue share has been deducted. Therefore, there is a lack of transparency as to how the 'price' has been calculated in these instances.

Aside from the above, SSPs' revenue share can be relatively easy compared, as their agreed revenue share is made clear in contracts and in most reporting tools.

The quality of service can be easily compared among SSPs.

SBS as an advertiser

As an advertiser, SBS needs to understand the following types of information for each of its advertising campaigns:

- The name/type of publisher
- Ad placement by the publisher
- Audience demographics
- Audience online browsing habits and intent
- Audience streaming history
- Ad location
- Targeted device(s) e.g. mobile/desktop or tablet

This information is generally not available to SBS—the programmatic agency, with which SBS works, generally controls access to this information. The agency controls third-party data while SBS controls its own first-party data. Some of the data is first-party, collected and owned by SBS; other is third-party data held by SBS's programmatic agency. Had SBS not proactively acquired the above information, the display media would be significantly less targeted and less effective.

This information is also important as it allows SBS to make informed and responsible decisions about audiences and the placement of certain ad categories.

As the programmatic agency negotiates and pays the demand-side ad tech service providers, the cost is then passed onto SBS as a whole, but is not itemised. Therefore, it is not possible to easily compare the price and quality of services being offered by DSPs. This also means that the percentage of total ad spend being retained by these DSPs is not easily determined.

Ad tech agency fees are calculated whereby there is a 'management fee', which is percentage of advertising spend (committed to at the beginning of the year), then all other costs which are 'blended' into a final CPM. These include publishers' costs, technology costs and 'overheads'. SBS does not receive information regarding discounts, rebates or benefits that SBS, or our intermediaries, receive from publishers.



As a result, SBS as an advertiser does not have visibility on the ad tech supply chain relationships and costs involved. Ad tech agencies do not share with SBS information on how their revenue is structured.

Opacity in the ad tech supply chain

The Issues Paper also outlines the following:

In the Digital Platforms Inquiry, stakeholders raised concerns with the ACCC regarding the opacity surrounding the ad tech supply chain used to facilitate the programmatic purchase of display advertising. Opacity may arise due to the growing complexity and number of suppliers and services involved in the ad tech supply chain and the 'black box' nature of some parts of the ad tech supply chain.

Specific concerns were raised that there is a lack of transparency in relation to the proportion of advertiser spend retained by ad tech suppliers. This issue is discussed in greater detail below. But a lack of transparency could also relate to the quality of service provided, or other terms and conditions of supply of ad tech services.⁴

Accordingly, the lack of transparency in the ad tech supply chain is another key issue of concern for SBS. This issue is prominent among, although not limited to, major digital platforms. SBS supports measures that can increase transparency of operation among market intermediaries. Increased transparency across their activities—whether that is in relation to algorithms that surface content or metrics on the delivery of advertising services—is likely to remedy negative effects arising from the power imbalance the ACCC has identified between major digital platforms and their clients, including SBS.

In its February 2019 submission to the ACCC's *Digital Platforms Inquiry: Preliminary Report* (the **Preliminary Report**), SBS outlined this in further detail, as follows:

In the context of viewer metrics, SBS supports the ACCC's proposal to further consider whether third party auditing may overcome concerns.

Advertisers may feel more confident in the accountability measures that apply to advertising services on other platforms—for example, the measurement of ratings on broadcast services. Therefore, it would be worth doing a side-by-side analysis of the checks and balances that apply to advertising on traditional media platforms to determine whether similar accountability mechanisms should be required of major digital platforms.

[...]

Both Google and Facebook provide very important services for SBS to reach audiences with information about programs and services that are relevant and of interest to them, and to drive users to consume content on our platforms such as SBS On Demand and the SBS website (where, it is acknowledged, revenue can be gained from SBS-hosted advertising). However, relative to other advertisers SBS is not a large player and has experienced the market power imbalance mentioned above—for example where:

SBS has not been included in certain products or initiatives of the major digital platforms because of its small size; and in relation to the use of products such as Google One Box, SBS would have benefited from more leeway in negotiations.

Some suggest that major digital platforms 'mark their own homework' in relation to audience metrics. While it is acknowledged that the major digital platforms contest this suggestion—pointing to a range of third party partners with which they work to verify audiences reached on

⁴ The Issues Paper, page 17.



their platforms—the ACCC has ultimately made a preliminary finding that advertisers are unable to verify for themselves whether advertisements on Google and Facebook are delivered to their intended audience.⁵

Key issue 2): competition throughout the ad tech supply chain and in the supply of ad agency services

The Issues Paper, section 4. (a) (i), notes that a key issue for the inquiry is concentration of market power in the hands of one or more suppliers of ad tech services⁶. The Final Report also found that:

The ubiquity of the Google and Facebook platforms has placed them in a privileged position. They act as gateways to reaching Australian consumers and they are, in many cases, critical and unavoidable partners for many Australian businesses, including news media businesses. Dominant firms, of course, have a special responsibility that smaller, less significant businesses do not have. The opaque operations of digital platforms and their presence in inter-related markets mean it is difficult to determine precisely what standard of behaviour these digital platforms are meeting.⁷

The ACCC's finding aligns with SBS's ongoing experience of the concentration of market power in this sector. Specifically, major digital platforms are not only market intermediaries, but also publishers of advertisements who significantly benefit from the Market as a result of their uniquely integrated market functions.⁸ The major digital platforms clearly have greater market power than other market intermediaries, or to that of other competing publishers. SBS supports management of these disparate levels of power.

SBS also notes that mergers within the ad tech industry have enabled ad tech vendors to gain a stronger foothold.⁹ This has primarily been through:

- acquisition of competitive ad tech companies, which reduces or eliminates competition;
- extension of existing ad tech services into a separate area of the business (for example a sell side platform owner buying a buy side platform); or
- enabling ad tech services to obtain and control new data assets.

For example, XandR and Google have both buy and sell side programmatic platforms, and both of their technologies work best with their own platforms^{10,11} For example, Google's buy-side product, DV360, works technically best with its sell-side product, GAM. There is deep level of integration between its buy and sell side products and the products are built to be as efficient as possible using Google's own algorithms and code.

Such integration enables revenue to stay within the "walls" of the tech vendor. For a publisher, this means that to monetise inventory effectively 'bundled' XandR and Google sell side products are used, which can have knock-on inefficiencies (e.g. two platforms to run reports).

Controlling both sides of a platform (buy and sell sides) means that the technology owner increases revenue by taking a percentage of revenue on the buy side as well as the sell side.

⁵ The Preliminary Report, page 66.

⁶ The Issues Paper, pages 5 and 15.

⁷ The Final Report, page 1.

⁸ The Issues Paper, page 9.

⁹ <https://www.forbes.com/sites/martyswant/2019/10/30/series-of-acquisitions-makes-new-room-for-reading-ad-tech-tea-leaves/#e86f63c13eb5>

¹⁰ <https://www.xandr.com/platform/>

¹¹ <https://www.thinkwithgoogle.com/intl/en-apac/tools-resources/programmatic/doubleclick-digital-marketing-platform/>



By controlling both buy- and sell-side technology, the ad tech vendor is in a strong position to dictate rates they charge since there is limited market competition.

Competition has also been impacted by the acquisition of start-up companies. Some of the first acquisitions in ad tech advertising were Google's acquisitions of Double Click¹² and YouTube¹³. These were instances of extensive market consolidation. Market competition has also been impacted by mergers or acquisitions between companies at different levels of the supply chain. Some of the most recent acquisitions affecting the advertising supply chain include:

- Amazon acquiring Sizmek¹⁴
- Telaria merging with Rubicon¹⁵
- Salesforce and Krux DMP¹⁶

Key Issue 3): the role and use of data in supplying these services

The Issues Paper notes that:

Data has an important role in the market for digital display advertising. It enables ads to be targeted to particular users who are most likely to find them relevant or interesting and allows the analysis of ad performance and measurement of the ad's impact on consumers¹⁷

The major digital platforms are able to aggregate and offer a much larger amount of data to buyers than smaller publishers such as SBS. The major digital platforms are also able to offer this to buyers at a relatively lower, or no, cost given the extensive data collection undertaken on their platforms.

For example, Google offers, without charge, access to its data segments through its DV360 platform. This incentivises buyers to use Google's suite of products to gain optimisation and targeting at no cost, with data which comes from Google's other assets (e.g. search and Gmail). This data may also come from aggregated publisher data (e.g. vertical and site URLs).¹⁸ Google is therefore offering data for free, as well as for purchase, from across multiple publishers within an exchange.

Additionally, when a buyer uses Google's platform such as its DV360, the technology is developed in such a manner that that the platform skews buyers' spending towards Google's own sell-side platform, the GAM. Therefore, the offer of free data and audience targeting, as part of Google's offerings, attracts more buyers to its products. This results in Google collecting both sell-side and buy-side fees. SBS as a publisher collects and acquires data for use by advertising purchasers. Nevertheless, the data availability is not on the same scale as those by major digital platforms such as Google.

Key Issue 4): whether competition and efficiency are being affected by supplier behaviour, including vertically integrated suppliers preferencing their own services, or by ad tech services businesses or ad agencies not acting in the best interests of their clients.

¹² <https://www.nytimes.com/2007/04/14/technology/14DoubleClick.html>

¹³ <https://www.nytimes.com/2006/10/09/business/09cnd-deal.html>

¹⁴ <https://advertising.amazon.com/blog/amazon-is-acquiring-sizmek-ad-server-and-sizmek-dco>

¹⁵ <https://rubiconproject.com/insights/press-releases/rubicon-project-and-telaria-complete-merger/>

¹⁶ <https://www.salesforce.com/blog/2017/05/krux-is-now-salesforce-dmp.html>

¹⁷ Issues Paper, page 13

¹⁸ <https://digiday.com/media/math-wrong-publishers-grumble-googles-ad-targeting-research/>



There has been a trend towards more vertical integration, with companies such as Google, Facebook and Amazon creating the so-called “walled gardens”¹⁹ of their own ecosystems. The Issues Paper notes that ‘[p]ublishers with their own vertically-integrated ad tech services may sell their own ad inventory through their own services’²⁰.

As noted above in relation to competition and data, Google also has a strong history of preferencing its own or acquired technology over that of its competitors. This includes the introduction of AdX Last Look, the Enhanced Dynamic Allocation and most recently Exchange Bidding and Google Dynamic Ad Insertion.

Another example is Google’s Exchange Bidding (now Open Bidding) product, which is the company’s response to the more transparent and competitive header bidding process. Google conducts a unified auction of its approved exchange partners in a “black box” server-to-server environment. Floor prices are implemented internally and Google takes a revenue share on top of the revenue share from each individual exchange partner. There is a lack of transparency around Exchange Bidding—in terms of auction information and reporting. Google is significantly benefitted through this process regarding control of the auction and preference given to its own exchange and buyers.

The Issues Paper suggests that while ‘[v]ertical intergration can give rise to efficiencies in the supply chain...[it] can also raise competition and efficiency concerns’.²¹ SBS has noted recent emergence of vertical alignment of like-minded businesses, both agencies and publishers, who work together in competition with the major digital platforms to regain market strength. Other market initiatives in response to the major digital platforms’ “walled gardens” include open source header bidding solutions, which encourage competition. Another is the emergence of publisher alliances such as The Ozone Project, which was established in the UK out of necessity to regain market influence.²²

Overall, a consolidated market poses a clear risk of reduced competition and a market where ‘big players call all the shots’. Nevertheless, it has a range of operational benefits for purchasers and advertisers—in terms of streamlined buying and selling of advertising; reporting; and troubleshooting.

Conclusion

SBS participates in the digital advertising services market as both a publisher and a purchaser. Key issues of concern for SBS are competition (disparate levels of market power) and opacity (the lack of transparency) in the Market. Consolidated market power also reduces efficiency (e.g. clients having to pay for and use multiple ‘bundled’ products).

SBS supports management of these disparate market power levels, as well as measures that can increase transparency of operation among market intermediaries.

¹⁹ <https://www.adexchanger.com/platforms/the-walled-gardens-are-eating-open-programmatic-heres-how-they-do-it/>

²⁰ Issues Paper, page 11

²¹ Issues Paper, page 22

²² The Ozone Project is an advertising and audience platform owned and operated by News publishers <https://www.iabuk.com/node/31048>