

**ACCC Digital Advertising Inquiry - Interim report
Views from Verizon Media**

1. Introduction

- 1.1. Verizon Media appreciates the opportunity to comment on the proposals set out in the Digital Advertising Inquiry's interim report.
- 1.2. These proposals comprise very specific and broad market interventions, many of which would apply to competing firms without market power. These proposals also intersect with complex regulatory frameworks, such as data protection, and market developments that require unavoidable investment by competing firms and adaptations by the wider advertising industry.
- 1.3. The second phase of the inquiry should identify the precise competition issues to be tackled and what remedies - individually or in combination - would best address them while preserving and fostering the competing ecosystem. It should specifically analyse evidence from stakeholders as to the likely impact of the first 6 proposals and the extent to which they would address the competition issues identified.
- 1.4. Further work on remedies should aim to prioritise interventions which tackle competition concerns *at source* and avoid diverting the resources of competing firms from venture investment and other commitments they must make in order to remain competitive and commercially relevant in the current climate.

2. Views on proposals 1-6

Proposal 1: Measures to improve data portability and interoperability

- 2.1. The interim report proposes that data portability and interoperability for consumers could reduce barriers to entry and expansion and promote competition in the supply of ad tech services.
- 2.2. It is recognised that data mobility can be effective in specific situations and to achieve specific and well-understood competition outcomes - for example, to facilitate number portability in domestic telecoms services or switching tools for retail broadband or energy services. However, it is not clear what specific competition issues data mobility would address in the digital advertising space. Such initiatives may inadvertently benefit established, large scale companies which can invest the necessary engineering resources to participate and exploit more data.
- 2.3. Interoperability between ad intermediaries can be important for targeted activities in business and to address specific issues, for example, at the infrastructure level.

Verizon Media invests in open-source technologies to ensure interoperability and standardization outcomes at the infrastructure layers of its technology stack. Interoperability can also be helpful to meet compliance obligations such as IAB Europe's Transparency and Consent Framework (TCF) where competing platforms gain engineering and operational efficiencies by only having to invest in one standard in order to comply with GDPR requirements on consent.

- 2.4. However, there is a risk that - if applied broadly across the market - legally mandated interoperability would be of greater benefit to large platforms, owing to their scale, existing advantages, and available resources to maximise the opportunity. Policy-makers should therefore be cautious about regulatory intervention at this time.
- 2.5. Thus, further work is needed to clearly identify what competition issues an interoperability and/or data mobility remedy could address and to carefully weigh benefits against adverse impacts on competition. Other authorities, such as the UK's CMA, have considered data portability and interoperability and although they recommend that authorities have powers to introduce such remedies, they have not recommended that they be used in the short term. Instead, they favour prioritising remedies which draw on detailed economic assessments of digital markets and target competition issues at source.

Proposal 2: Data separation mechanisms

- 2.6. We note the intention to explore data separation mechanisms, such as data silos or purpose limitation requirements. We agree that such remedies should be limited to large platforms with "significant data advantage" and not extended to competing intermediaries absent evidence of specific competition issues.
- 2.7. We recommend that further work be done to clearly identify the conduct and impact to be used to designate firms with "significant data advantage" so that such remedies can be targeted accordingly. The proposed review of domestic privacy law is also important context to inform the design of effective data remedies.

Proposal 3 – Rules to manage conflicts of interest and self-preferencing in the supply of ad tech services

- 2.8. The interim report invites comments as to whether rules should be introduced that aim to prevent and manage the competition and other issues that can arise from vertical integration. It is suggested that such rules could prevent self-preferencing, and manage conflicts of interest.
- 2.9. As written, this proposal seems to suggest that these rules be applied to all market participants, regardless of market status or power. However, there appears insufficient evidence in the interim report nor justification in competition law to support forcing such remedies on non-dominant firms and they would likely undermine competition by disadvantaging sub-scale competitors.

- 2.10. The number of competing firms which operate both demand-side and supply-side platforms is small and they are sub-scale globally. Competing firms are structured this way in order to compete effectively with market leaders. The efficiencies gained from vertical integration are what enables any competition in this market. Interventions to prevent vertical integration and/or self-preferencing absent dominance would remove these efficiencies and could result in market exit by making these firms even more sub-scale and unable to compete.
- 2.11. Further work in this area should aim to identify barriers to competition and target interventions accordingly. This would limit analysis to firms with incentives to restrict competition.

Proposal 4 – Implementation of a voluntary industry standard to enable full, independent verification of DSP services

- 2.12. We welcome ACCC's support of industry standards in the provision of technology services at the DSP level, such as viewability, fraud detection and brand safety protection. The ACCC's preference for voluntary action is also welcome. There are a number of established industry standards in these areas, as well as an established market for third party tools which allow advertisers to independently verify results.
- 2.13. Competing ad intermediaries have commercial incentives to integrate tools which allow buyers to carry out their own independent verification. For example, Verizon Media provides proprietary fraud prevention tools for clients. Advertisers may also deploy one of several additional third-party tools for filtration and measurement of fraud in order to verify our proprietary technology. Through our fraud guarantee, we credit our clients for fraudulent impressions where a discrepancy is identified between our technology and the chosen third party technology.
- 2.14. We believe that independent verification of technology services in the advertising ecosystem is an important part of a well-functioning market. The ACCC should take care to understand the incentives of different market participants to invest in integrating this technology, where there may be gaps and why, as well as levels of advertiser demand for - and adoption of - independent verification within the process of procurement of technical services.

Proposal 5 – Implementation of a common transaction ID

- 2.15. Transparency for ad buyers and publishers is an important feature of a well-functioning market. Usable information flowing through the advertising ecosystem can inform and drive buying decisions and efficiencies in the system, as well as promote competition for the provision of ad tech services which responds to advertisers' demands for a healthy and brand safe ecosystem.
- 2.16. Competing ad intermediaries have strong commercial incentives to provide transparency which allows buyers to optimise their purchasing of advertising services. Other authorities have observed meaningful investment by competing

firms and a clear trend towards greater transparency without the need for regulatory intervention thus far.

- 2.17. Current practice gives priority to transparency between contracting parties and ensuring that this information is passed through the ecosystem to advertisers and publishers. Fee disclosures are best addressed within existing commercial arrangements in order to respect the commercially confidential nature of transaction data, the advertiser's preferences as to buying model and the intersection with users' personal data rights.
- 2.18. There are also a number of market-led initiatives and it is important that the ACCC allows these to bed down and grow before considering new and costly regulatory interventions. Many market participants, for example, are already committed to adopting OpenRTB Supply Chain Object and sellers.json. Advertisers and agencies can use the combined information generated from these two standards to understand what they are buying, empowering them to be more confident and comfortable in their purchases. They play complementary roles, extending transparency throughout the entire supply chain, including SSPs and exchanges. Widespread adoption of these standards by buyers would avoid the very complex user privacy and engineering issues that would arise from a requirement for granular transparency, for example at the level of individual impressions.
- 2.19. The development of a common transaction ID as set out in the interim report, on the other hand, would involve considerable re-engineering within the digital advertising ecosystem in order to standardise data fields and sharing protocols between a vast number of actors in the supply chain. This would be a very complex and costly exercise. A project of this kind would need a high level of certainty as to advertiser demand for such granular transparency and how the cost of the required investment could be recovered.
- 2.20. The cost and disruption of this effort would need to be considered alongside the unavoidable engineering adaptations and market disruption that competing ad intermediaries already face as a result of the phasing out of third-party cookies in Chrome (see response to Proposal 6 below).

Proposal 6 – Implementation of a common user ID to allow tracking of attribution activity in a way which protects consumers' privacy

- 2.21. Important context for this proposal is the phasing out of third-party cookies on the Chrome browser by January 2022. This plan is intended to remove the functionality which digital advertising services and marketing firms currently depend on. This change will require market participants to identify, create and implement new technical solutions and renegotiate contracts to reduce the negative impact on their services and their ability to compete in the digital advertising market and provide choice for advertisers and publishers. The industry is awaiting clarity as to whether the prototypes available via the Privacy Sandbox - or alternatives outside that process - will provide the necessary scalability, stability and commercial relevance to

ensure business continuity for digital advertising and marketing services. The time to develop and implement any adaptations is detrimentally short.

- 2.22. Developing alternative user IDs to third party cookies is one possible option to ensure business continuity. These IDs replicate critical functions including targeting, delivery, and measurement of ads, and performance reports that help advertisers determine their ROI. A number of service intermediaries have launched ID products in the Australian market. While it is too early to say whether these will converge on a common ID, they are important innovations to aid the digital marketing ecosystem in transitioning away from third party cookies. The ACCC's support for them is welcome.
- 2.23. It is important that the ACCC acts in a way that supports the industry to make these adaptations and avoids market interventions which may divert resources from this business-critical work or otherwise disadvantage competing service intermediaries. An important consideration in the ACCC's further work on this proposal will be the stance of browsers and to ensure they will enable such ID solutions.