



Summary of Digital Platforms Inquiry Advertiser Forum

On 30 May 2018, the ACCC held a public forum in Melbourne. The purpose of the forum was to provide businesses involved in digital advertising an opportunity to communicate with the ACCC's Commissioners about their key issues of interest in relation to the ACCC's Digital Platform Inquiry.

The forum was chaired by ACCC Commissioner Roger Featherston. Also in attendance were ACCC Deputy Chair Delia Rickard, as well as General Managers of the Digital Platforms Inquiry Morag Bond and Kate Reader. The forum agenda is at **Attachment A**.

The following is a summary of the issues discussed at the stakeholder forum.

Why businesses advertise online

Why businesses choose to advertise online?

Stakeholders discussed various benefits of advertising online. These included the capacity to communicate one-to-one with consumers, and to target advertising messages to consumer interests. Stakeholders also noted that digital advertising offers the potential for more accurate measurement of audiences and effectiveness than some other forms of media. Price was also raised as a factor, in that the online medium provided the opportunity for small businesses to advertise in a cost-effective manner.

Which platforms businesses use and whether the digital platforms are substitutable?

There were varied views on how substitutable the digital platforms were in terms of advertising. One view was that for advertisers, all digital platforms (and all forms of media generally) were substitutable. Another view was that different digital platforms were better at targeting different audiences, and that the choice of platform by advertisers is likely to differ according to whether the business was targeting business customers, or consumers.

A further view was that one social media platform could be substituted with another, but would not be substitutable with a different form of digital platform (e.g. search engines). Social media was considered as useful for 'prospecting' for new customers, while search engines were useful in capturing consumers who already had the 'intent' to seek out a particular product or service.

Some stakeholders suggested that Facebook and Google had the most potential for raising high volumes of traffic and sales, to cover a range of demographics, and to perform across consumer devices and industry channels.

Stakeholders also noted that relationships exist between different forms of advertising, and this can lead to measurement issues. For example, an offline advertising campaign for a given product can lead to an increase in organic searches for that product online, which may in turn lead to increases in online sales. This leads to difficulties in measuring the effectiveness of different forms of advertising, given that the sale may have eventuated from a digital search (i.e. the 'last click'), but that purchase intention may have been stimulated by a non-digital advertisement.

The potential for new entrants in the digital platform markets

Stakeholders found it difficult to speculate on which digital platforms might become significant in the future. Part of this uncertainty was due to the potential for acquisitions of new or emerging platforms by incumbent providers. Moreover, it was noted that for a new digital platform to be successful, it would not only need to achieve popularity with a user base, but also have the ability to generate revenue in the prevailing market where existing platforms have a strong position.

Stakeholders noted several reasons why they might choose to remain with a particular digital platform, as opposed to switching to a new entrant. These included: the relative sizes of user bases; the quality of tools provided by the platform; and the time invested by the advertiser in learning to use a particular platform, or its related analytical tools.

It was also noted that there is a level of inertia regarding advertising approaches, given the inherent risk for an advertiser in shifting to a new or emerging provider. As such, businesses would need a compelling reason to switch away from a successful advertising approach with an incumbent digital platform and towards an untested approach with a new entrant.

Pricing and other aspects of advertising on digital platforms

Stakeholders noted that the pricing for a significant proportion of advertising on digital platforms (including on Google and Facebook) was determined via an auction system. As such, it is difficult to suggest how prices may change in the future, although it was suggested that digital advertising was not getting cheaper.

It was thought likely that programmatic advertising would be increasingly important in the future, given the benefits of processing efficiency, addressability, and targeting. Some parties were also of the view that programmatic advertising would expand beyond websites and digital platforms towards other media (for example, advertising delivered to consumers via internet-connected televisions).

A further issue raised by stakeholders was the potential for digital platforms to encourage users to remain within the 'walled garden' of the relevant digital platform, rather than leaving the platform to go to a business's website. It was suggested that some platforms were increasingly geared towards hosting more content or services on the platforms themselves, reducing users' needs to leave the platform.

Advertisers' interactions with digital platforms

Metrics and the effectiveness of advertising on digital platforms

Stakeholders suggested that there were various potential advantages of digital media over traditional media in terms of the metrics used to measure the effectiveness of advertising. On one hand, traditional media metrics are estimates based on panel-based surveys or information gathered through set top boxes or audience diaries. These measures give some indication of audience size, but not necessarily the effectiveness of advertising to those audiences.

By comparison, sales can be more directly attributed to digital advertising, as effectiveness can be counted in terms of 'clicks' made in direct response to a particular advertisement. Stakeholders also pointed out that metrics for digital advertising could be based on each individual device, as opposed to a broadcast across a population.

One issue that stakeholders raised was that each digital platform has the ability to define for itself what constitutes a 'view' for an advertisement. It was suggested that there were ten or more different definitions of views across the major digital platforms. As a result, it was difficult to compare the effectiveness of advertisements across digital platforms.

A further issue raised by stakeholders was 'ad fraud'. One stakeholder suggested that the

cost of ad fraud was estimated to be in the billions of dollars globally, and could potentially be in the hundreds of millions of dollars in Australia. Stakeholders pointed to the existence of some global standards, such as the viewability standards set by the Media Ratings Council in 2014, which has gained traction with part of the market.

Third party verification of data

Several stakeholders offered views on the issue of third party verification of metrics provided by the major digital platforms. It was suggested that digital platforms 'mark their own homework', and as such their readership and engagement metrics can only be treated as claims. Some stakeholders considered that while digital advertising has the potential for metrics that more accurately attribute advertising to sales, they were in some ways less robust than metrics calculated for traditional media.

Some stakeholders argued that independent verification of advertising metrics was needed, and should be implemented in the future. It was also suggested that advertising businesses more generally would vary in their appetite for such verification. It was thought that larger companies would be willing and able to purchase these sorts of verification services, while smaller companies may not. Moreover, stakeholders explained that the capability for third party verification already existed, including at a granular level. However, the issue as they saw it was that some of the larger digital platforms did not fully adopt the same verification tools as others in the digital ecosystem.

How algorithms work

When asked about the algorithms used by digital platforms, one stakeholder described them as a 'complete black box', despite having many years' experience in advertising. Another suggested that advertisers generally make the most of patterns they observe in the operation of the algorithm.

Bargaining power and market power

Stakeholders were asked to consider how easily a business could be run today without digital advertising, or without advertising on digital platforms. One stakeholder pointed out that those businesses that operated solely online would have a greater reliance on digital platforms than a business that could rely on its physical location. In that sense, platforms were comparable to the 'high street' for retail businesses. Another stakeholder suggested that businesses today relied on the major digital platforms in a similar way to how they had previously relied on the Yellow Pages.

Stakeholders discussed the potential for the advertising decisions of Australian firms to be constrained if they have an international parent company, as the parent company may deal with Google at a global level. It was suggested that a deal made at the global level would typically pre-set a minimum amount to be spent by its subsidiaries around the world on advertising with Google.

Although stakeholders indicated that the major digital platforms were dominant in the supply chain for digital advertising, it was also noted that the biddable nature of programmable advertising offered a counter-point to this potential market power, in that advertising prices are set by the market.

A further issue was raised about search engines such as Google developing products that directly compete with advertisers' products. The examples given by stakeholders included investment services and recruitment services.

Digital advertising supply chain — the ad tech stack

Experiences with the digital advertising supply chain

It was suggested that, overall, advertisers would vary significantly in the extent of their understanding of the digital advertising supply chain.

Stakeholders noted various benefits for advertisers in using an integrated digital advertising supply chain, in that a fragmented supply chain would be more time consuming and less efficient. It was suggested that an integrated supply chain has led to greater ease of planning and execution for advertisers.

It was suggested that some companies are able to compete with Google in areas such as demand side platforms or ad servers. However, stakeholders also noted that it can be difficult for smaller competitors to build and sustain any competitive advantage as their product and service innovations can, over time, be replicated by the larger platforms. It was also suggested that further consolidation may take place in the digital advertising supply chain.

Revenue distribution

It was suggested that there are various fees along the advertising supply chain that are, in aggregate, significant. In this sense, the cost of digital advertising was not due to the major digital platforms alone. One stakeholder used the example of a multinational business that has reportedly indicated that, at times, less than half of its advertising budget has ended up in working media (or actual advertising). It was suggested that collective fees may be related to areas including tech access, data overheads and commissions.

Future trends

It was suggested that digital platforms will increasingly move into customer sales, following the examples of Android Pay, Google Shopping, and Amazon. This would involve an increasing proportion of sales occurring within the 'walled gardens' of the digital platforms themselves, avoiding the need for consumers to leave a given platform and go to a business's website to make a purchase.

Attachment A: Advertiser forum agenda

ACCC Digital Platforms Inquiry

6.00pm – 8.00pm | Wednesday 30 May 2018 | Melbourne

Dexus Place, 385 Bourke Street, Melbourne

Agenda

Agenda item
<p>Welcome and introductory comments</p> <ul style="list-style-type: none">• Purpose of the forum and Digital Platforms Inquiry• Scope and exclusions to the Inquiry
<p>Why businesses advertise online</p> <ul style="list-style-type: none">• Why do advertisers use digital advertising?• Do different types of digital advertising have different purposes?• Is advertising on digital platforms substitutable with other forms of digital advertising, or with advertising on print, outdoor and broadcast?
<p>Working with the platforms — advertisers' experiences and assessments of digital advertising</p> <ul style="list-style-type: none">• Which digital platforms do advertisers in Australia use?• Are there any platforms that advertisers consider 'must haves'?• How do advertisers deal with digital platforms?• How are terms, conditions, and prices negotiated with digital platforms?• Advertisers' experiences and assessments of digital advertising• How well does it work? Do advertisers get value for money?• How do advertisers evaluate the success of digital advertising? What information is available to you to measure the success of your advertising?• How have the costs of digital advertising changed, and to what extent?
<p>The digital advertising supply chain</p> <ul style="list-style-type: none">• How do different parts of the digital advertising supply chain interact?• How competitive are different parts of the digital advertising supply chain?