

**facebook**

# **ACCC Advertising Services Inquiry**

## **Response to the ACCC's Issues Paper**

28 April 2020

## Executive summary

Facebook welcomes the opportunity to assist the Australian Competition and Consumer Commission's (ACCC's) inquiry into the supply of digital advertising technology and digital advertising agency services (the Inquiry).

Advertising in Australia today is more affordable, efficient and effective at reaching customers than ever before, because of increased access and use of technology by many players in the advertising ecosystem.

The benefits of online advertising have been seen, especially by Australian small and medium businesses (SMBs), for many years. Online advertising has had the pro-competitive effect of reducing the price of advertising, and has created a level playing field allowing hundreds of thousands of Australian SMBs to start reaching consumers for as little as \$1.00. Digital advertising makes it easier for Australian SMBs to promote their products and services, become exporters, or to build a customer base for niche products.

Online advertising services, such as ours, have lowered prices, substantially grown the market and empowered Australian SMBs to advertise efficiently and compete more effectively with larger and more established companies in Australia and around the world. In Australia, more than 400,000 businesses placing advertisements on Facebook spent less than US\$100 in 2019. In the same year, fewer than 270 Australian businesses spent more than US\$1 million to place advertisements on Facebook. Over 1.9 million Australian SMBs have a Facebook Page, and over 84% of Australian users on Facebook are connected to at least one Australian SMB's Facebook Page.

Consumers also benefit from digital advertising (such as ours), which serves them ads more relevant to their interests, and gives an unprecedented level of transparency and control over the ads they see.

These benefits are even more apparent during times of crisis. The farming community and small business owners in regional towns have suffered greatly as a result of drought and bushfires. The Buy From The Bush campaign across Facebook and Instagram helped support drought-affected small business owners by connecting them with customers in metropolitan Australia and around the world.<sup>1</sup> Throughout the Australian bushfires in 2019/2020, we saw small businesses in fire-affected areas turn to digital advertising to target consumers in areas not affected by the fires in order to recover from the crisis faster.<sup>2</sup> During the COVID-19 pandemic crisis, small businesses have also been relying on digital advertising options to reach consumers who are no longer able to visit their premises in person.<sup>3</sup>

Digital advertising is just one part of an intensely competitive advertising sector. Digital advertising is easily substitutable for the various offline channels (such as TV, radio, print and outdoor), and advertisers can shift spend away from Facebook quickly and easily. A number of companies are well-established in the digital advertising space, including Google and Amazon. There are also a rapidly increasing number of new entrants in the digital space, including Snap whose revenue from digital advertising has been increasing significantly, and TikTok which has rapidly reached almost 2 billion downloads. The barriers for new entrants are not high.

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<sup>1</sup> See <https://www.dailyliberal.com.au/story/6453833/buy-from-the-bush-sparks-sales-for-artist-attracts-25000-followers/> ; see also: [https://www.youtube.com/watch?v=V2UVMz\\_qPaM](https://www.youtube.com/watch?v=V2UVMz_qPaM)

<sup>2</sup> See <https://www.smh.com.au/business/small-business/how-we-can-all-do-our-bit-to-help-small-businesses-20200330-p54f8p.html>

<sup>3</sup> See for example, Cheese Therapy which is using Facebook ads to connect with customers and hire more people: <https://www.facebook.com/cheesetherapyAU/photos/a.449323455116014/2838838922831110/?type=3&theater>

Digital advertising in Australia involves a large number of companies that facilitate the automatic supply and purchase of digital advertising in real time. We refer to the collective operation of these services as the “ad tech stack” and it incorporates players who provide different functions.

Each element of the ad tech stack applies competitive pressure on the other elements of the stack, especially considering the dynamic and rapidly-evolving nature of the industry.

Facebook represents only a small part of this diverse and expanding advertising ecosystem.

Our core activities in the advertising ecosystem relate to the sale of advertisements on our owned and operated platforms, namely Facebook, Instagram and Messenger. In doing so, we offer a solution to advertisers on the demand side, Facebook Ads. We are committed to giving advertisers easily accessible, clear and transparent tools and information to measure and manage their campaign performance in real-time, at no additional cost.

Through Facebook Ads, we also offer advertisers the option to purchase ads on participating third-party mobile apps through Facebook Audience Network (**FAN**), which provides a source of supply to third-party publisher ad servers active in the ad tech ecosystem. This is the only solution Facebook offers on the supply side of the ad tech stack.

Our limited role in the ad tech stack was reflected in the ACCC’s Final Report in the Digital Platforms Inquiry (**DPI Final Report**), which stated that Facebook’s services “do not directly interconnect with third party ad tech services” and “[t]he Facebook advertising platform is therefore not considered to be an ad tech service”. The DPI Final Report also recognised that “Google is the only company that offers ad tech services across the entire ad tech supply chain” and “the issues relating to ad tech services do not apply in the same way to Facebook’s advertising platform”.<sup>4</sup>

However, the ACCC’s issues paper in this Inquiry (**Issues Paper**) inaccurately states that Facebook operates across multiple parts of the Australian advertising ecosystem and is vertically integrated. This is not correct. Our role in the ad tech supply chain is—as set out above—limited, and we are not vertically integrated: we do not provide publisher ad servers, we do not run publisher-side auctions and we do not independently offer market-wide analytics.

It is important that, going forward, this Inquiry recognises the limited role we play in the ad tech stack and acknowledges that our advertising business is very different from other more prominent players in the ad tech stack.

Overall, we seek to provide advertisers with easy-to-use, affordable and transparent advertising solutions, primarily to deliver relevant ads to users on our owned and operated platforms. Our advertising services have substantially benefited businesses of all sizes (including SMBs), enabling them to advertise more efficiently and effectively.

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<sup>4</sup> DPI Final Report, page 151. <https://www.accc.gov.au/system/files/Digital%20platforms%20inquiry%20-%20final%20report.pdf>

## 1. Introduction

- a. Advertising is far less expensive and far more efficient than in the past. A whole new generation of companies, big and small, have more options than ever when it comes to advertising – from billboards, print and broadcast to a diverse set of digital platforms and services like Facebook, Google, YouTube, Amazon, Snapchat and TikTok, and other marketing tech companies.
- b. Unlike 40 years ago when companies were largely limited to advertising on print, TV, radio and billboards, today there are numerous different advertising channels and platforms and hundreds of companies offering each of them, all competing for people’s time. For example, advertisers can now also reach people in apps on smartphones and tablets, on laptops and computers, by email and SMS, on streaming set-top boxes, broadcaster video-on-demand (**BVOD**) services, Smart TVs, games consoles and other over-the-top devices.
- c. We compete in a highly competitive and dynamic environment. We face intense competitive pressure for advertising budgets from offline channels (such as print, radio and broadcast), established digital platforms (such as Google, Amazon, Twitter and Pinterest) and newer entrants that have attracted a large user base from scratch (such as Snap and TikTok). For example, market research group, Forrester, has stated that “[p]latforms like Instagram and Facebook encounter strong competition by TikTok in Asia”. Forrester estimates that TikTok now has more than 700 million monthly active users globally and has already found a way to monetise its advertising proposition successfully.<sup>5</sup> The landscape is also highly dynamic, with offline advertising channels (such as television and radio) benefiting from industry-wide digitalisation and new technologies to offer their own ad targeting and measurement products.
- d. Facebook represents only a small part of this diverse and expanding advertising ecosystem.
- e. Our core activities in the advertising ecosystem relate to the sale of advertisements on our owned and operated platforms, namely Facebook, Instagram and Messenger. In doing so, we offer one solution to advertisers on the demand side, Facebook Ads. Through this, we also offer advertisers the option to purchase ads on participating third-party mobile apps through FAN, which provides a source of supply to third-party publisher ad servers active in the ad tech ecosystem. This is the only solution Facebook offers on the supply side in the ad tech stack. We accordingly play a limited role in the ad tech stack and are not vertically integrated in the ad tech ecosystem. We do not provide publisher ad servers, run publisher-side auctions or independently offer market-wide analytics. Facebook’s limited role in the ad tech stack was reflected in the DPI Final Report, which stated that Facebook’s services “do not directly interconnect with third party ad tech services”<sup>6</sup> and “[t]he Facebook advertising platform is therefore not considered to be an ad tech service”.<sup>7</sup>
- f. We are committed to building a high-quality and personalised advertising experience that brings value for both businesses and people. We work to ensure that each aspect of our advertising service (from ad placement to ad management to performance measurement) is accessible, clear and transparent. Our advertising auction, targeting and delivery systems aim to deliver the right ads to the right people at the right time.

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<sup>5</sup> See <https://www.adnews.com.au/news/irreverent-app-tiktok-is-pulling-in-millions-of-dollars-from-australia>

<sup>6</sup> DPI Final Report, page 128. <https://www.accc.gov.au/system/files/Digital%20platforms%20inquiry%20-%20final%20report.pdf>

<sup>7</sup> DPI Final Report, page 151. <https://www.accc.gov.au/system/files/Digital%20platforms%20inquiry%20-%20final%20report.pdf>

- g. Given that we operate a multi-sided business model, our interests are aligned with both our users and advertisers – if we are unable to offer a competitive and effective advertising service to advertisers, we will lose those advertisers to our (offline and online) competitors. As almost all (approximately 99%) of our global revenue comes from advertising,<sup>8</sup> this would undermine our ability to innovate and invest in our services to retain users. If we are unable to continue to attract and retain users, we would become less attractive to advertisers.
- h. In this highly competitive environment, our advertising services have lowered prices,<sup>9</sup> substantially grown the market and empowered Australian SMBs to advertise efficiently and compete more effectively with larger and more established companies in Australia and around the world. In Australia, more than 400,000 businesses placing advertisements on Facebook spent less than USD \$100 in 2019. In the same year, fewer than 270 Australian businesses spent more than USD \$1 million to place advertisements on Facebook. Over 1.9 million Australian SMBs have a Facebook Page, and over 84% of Australian users on Facebook are connected to at least one Australian SMB's Facebook Page.
- i. The development of 'self-service' advertising services by Facebook and other players has enabled smaller advertisers to access and deliver advertising more efficiently, as well as to purchase advertising from multiple sources more easily. As well as Facebook, there are many platforms that offer self-service or easy to use advertising services for smaller advertisers, such as Google, Amazon, Twitter, Snapchat, Pinterest and TikTok.<sup>10</sup>
- j. These developments—and the highly competitive environment—have resulted in significant benefits for a wide range of SMBs in Australia. Consumers have also benefited substantially from increased choice, lower prices and innovation.

## 2. Facebook operates in a highly competitive and dynamic advertising landscape

### ***Facebook operates a multi-sided platform and faces strong competition on both sides of the platform***

- a. We operate a multi-sided business model and face intense competition on both sides of our platform:
  - i. On one side of the platform, we compete with a vast and growing number of platforms and services – each of which is seeking to provide innovative and differentiated value propositions to meet users' ever-evolving needs. This includes, for example, Google,

<sup>8</sup> Facebook's advertising revenue in 2019 amounted to US\$69.7 billion, of a total revenue of US\$70.7 billion. See Facebook, Inc, Form 10-K 2019, page 44, available at: <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680120000013/fb-12312019x10k.htm>.

<sup>9</sup> Digital ads have historically been less expensive than other channels. See, "Internet Trends" *Morgan Stanley*, 7 June 2010, page 26, available at: <https://docs.huihoo.com/internet/morganstanley-internet-trends-20100607.pdf>. Digital ads are also becoming even less expensive in Australia. For example, eCPMs have decreased in recent years in Australia across many mobile ad networks. See also, "Mobile Ad Networks Interstitial eCPM Report," *AdTapsy*, available at: <http://ecpm.adtapsy.com/>.

<sup>10</sup> AdAge, *Amazon to Make It Easier to Buy Its Ads with Self-Serve Tools*, 23 February 2014, available at: <https://adage.com/article/digital/amazon-make-easier-buy-ads-serve-tool/294243>; Financial Times, *Snap Targets Smaller Advertisers with Self-Serve Platform*, 4 May 2017, available at: <http://www.ft.com/content/b4cffee2-3026-11e7-9555-23ef563ecf9a>; Forbes, *Forget About Facebook – Here Are Three Other Ways To Capture Consumer Attention*, 19 February 2020, available at: <https://www.forbes.com/sites/forbesagencycouncil/2020/02/19/forget-about-facebook-here-are-three-other-ways-to-capture-consumer-attention>.

YouTube, Amazon, Twitter, WordPress, Snap, Flickr, Pinterest, LinkedIn, Reddit, Activision Blizzard and Fortnite.

The widespread use of mobile devices enables people to adopt and spread their limited time across a wide variety of services. As a result of people multi-homing and switching between different services in this way, competition is fierce and dynamic, with new and fast-developing platforms entering and expanding their offerings successfully on a continuous basis. Platforms do not require access to large volumes of data to enter and expand, with any data needed being easily obtainable from users themselves (when they choose to engage with an online platform) or from a host of other third-party data aggregation providers.<sup>11</sup> The successful entry and rapid growth of competitors such as Snap and TikTok, who have attracted a large user base from scratch, provides clear evidence that there are no meaningful barriers to entry and expansion.<sup>12</sup>

- ii. On the other side of the platform, we compete with these same user platforms and numerous other online and offline channels for advertising revenue. This is revenue on which we rely in order to provide valuable and innovative services to interested users, for free.

This is a common business model, long used by a wide variety of other online and offline ad-supported businesses, including free newspapers, free-to-air broadcasters and many free websites, including online real estate and classified advertising companies.

- iii. What matters to advertisers is their ability to maximise their return on investment (**ROI**). This is why, in order to win a greater proportion of a business' advertising budget from other channels, we must compete vigorously to demonstrate that the value of placing an ad on Facebook is better than that offered by other online or offline advertising channels.

***Competition for advertising revenue is vigorous***

- b. We compete with both offline advertising channels and a range of online platforms that offer search and display advertising services. When advertisers budget for advertising, they consider how to allocate their advertising spend across the wide range of available advertising channels — including online platforms (both display and search), television, print media, radio and outdoor advertising.
- c. Offline channels have evolved to benefit from industry-wide digitisation, offering advertisers attractive options such as BVOD services, radio and digital outdoor advertising. By way of example:
  - i. **BVOD services** - BVOD advertising revenues grew by 34.2% in Australia to \$67.1 million for the six months to 30 June 2019 with a further increase of 42.8% for the six months to 31 December 2019.<sup>13</sup> The CEO of Think TV has stated that: *“These figures confirm TV’s continued effectiveness for Australian marketers, and the industry is committed to further*

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<sup>11</sup> These include providers such as Acxiom, Experian, Equifax, Nielsen, Epsilon, KPMG, Illion, LiveRamp, Merkle, Oracle, Salesforce, Global Data and Quantcast and Tapad.

<sup>12</sup> See <https://www.oberlo.co.uk/blog/tiktok-statistics>, which notes that TikTok has attracted around 500 million monthly active users worldwide.

<sup>13</sup> See <https://www.mediaweek.com.au/bvod-revenue-soars-43-but-tv-dollars-down-5-in-2019/>; <https://thinktv.com.au/news/total-tv-market-records-4-billion-in-ad-revenue-for-fy18-19-bvod-revenues-increase-by-32-2-for-the-financial-year/>; <https://www.adnews.com.au/news/here-s-why-bvod-is-australia-s-fastest-growing-media-category>.

enhancing this performance. The growth of BVOD and the forthcoming launch of Virtual Australia (VOZ) are two such examples of this commitment.”<sup>14</sup> Key players include:

- **Nine Network**, which offers marketers access to 6.5 million customer IDs through direct on-demand video advertising segmented by age, sex and location. The company has the broadest reach of on-demand broadcasting in Australia, accounting for 2.6 million viewers averaging 2.25 hours spent watching per day (according to Nielsen).<sup>15</sup>
- **VOZ**, which is currently being built by OzTAM, Regional TAM and Nielsen to capture TV viewing across all screens, with initial VOZ data likely to be available later in 2020. For TV networks, VOZ will provide “a complete picture of the audience consuming their content over time and across screens, determine BVOD incremental reach, and optimise their offer across all channels, markets, platforms and devices”, and the media industry will gain “an objective, independent, transparent and standard metric by which to evaluate the performance of TV content across all screens and platforms, and is consistent with the established TAM and VPM currencies”.<sup>16</sup>

- ii. **Outdoor advertising** – outdoor advertising (or ‘out of home’ advertising) has enjoyed significant growth in Australia over the past 10 years, posting its 40th consecutive quarter of growth in Q3 2019.<sup>17</sup> The CEO of oOh!media has predicted that the:<sup>18</sup>

*“Out of Home format in Australia is going to grow its market share at a faster rate than all other mediums, as a result of OOH being increasingly seen as a primary format and recognition of the results it can deliver in terms of ROI. There is clearly momentum building in Out of Home, which is capitalising on audience reach as other areas fragment, as well as ever more creative content, plus sophisticated data techniques that deliver demonstrable results.”*

This growth has been aided by developments in digital outdoor screen technology. For example, the Managing Director of Val Morgan Outdoor stated that:<sup>19</sup>

*“The significant investments in digital outdoor screen technology and ad-serving platforms over the past few years has evolved the Outdoor sector to become an even more important channel for advertisers to utilise. Outdoors’s unique ability to build brands and drive performance at scale positions the sector well for continued growth in 2020. Why? OOH delivers unparalleled mass audience reach to connect brands with active and engaged consumers, moments before purchase and in brand-safe environments. DOOH providers in particular have developed a stronger understanding of audiences through the use of 1st and 3rd party data in 2019 to inform campaign planning and creative optimisation. Effectiveness and efficiency will*

<sup>14</sup> See <https://thinktv.com.au/news/total-tv-market-records-4-billion-in-ad-revenue-for-fy18-19-bvod-revenues-increase-by-32-2-for-the-financial-year/>.

<sup>15</sup> Cameron, Nadia, ‘Nine touts addressable audience buying across its on-demand service, 9Now,’ CMO, 6 August 2018, available at: <https://www.cmo.com.au/article/644811/nine-touts-addressable-audience-buying-across-its-on-demand-service-9now>.

<sup>16</sup> Further information about VOZ can be found at <https://virtualoz.com.au/>.

<sup>17</sup> See <https://thoughtleadership.oaaa.org/10-years-of-ooh-growth-no-end-in-sight/>

<sup>18</sup> See <https://www.adnews.com.au/news/oooh-predictions-2020-growth-premium-product-and-trust>

<sup>19</sup> See <https://www.adnews.com.au/news/oooh-predictions-2020-growth-premium-product-and-trust>

*continue to steer conversations for marketers, media buyers and owners-alike. It's likely the industry will experience a merging of online and offline buying platforms offering speed to market and ease of transaction through automating buying functions."*

- d. In addition to offline channels, we face intense competition for advertising budgets from both established ad-supported online platforms and new entrants. This includes:
- i. **Google** – Google is the largest provider of digital advertising services, both globally and in Australia. In the Final DPI Report, the ACCC stated that: “[t]he revenue and ad inventory flowing through Google’s ad tech services are significantly larger than any other firm or supplier”.<sup>20</sup> In 2019, Google's ad revenue amounted to approximately US\$134 billion.<sup>21</sup> In Q3 2019, Google’s advertising revenue was US\$33.9 billion, up from US\$29 billion in the same three months in 2018.<sup>22</sup> Google also owns **YouTube**, with the growing demand for video advertising strengthening YouTube’s leading position as an attractive advertising platform accessible only via Google’s ad-tech services. In 2019, YouTube captured \$15 billion in ad revenue, growing 36% year-over-year and accounting for almost 10% of Alphabet Inc.’s total revenue.<sup>23</sup> YouTube ads generated \$15.15 billion in revenue in 2019, compared with \$11.16 billion the year before, of which \$4.72 billion was for Q4 2019 alone.<sup>24</sup>
  - ii. **Amazon** – Amazon only launched its advertising service in Australia in 2019 and saw a revenue increase of 37% in Q2 2019.<sup>25</sup> For Q4 2019, Amazon reported, on a global basis, that its *“other” category, which is primarily made up of its advertising business, generated \$4.8 billion in revenue during the quarter, which is a 41% increase from the year-ago period.*<sup>26</sup> Amazon has significantly developed its online advertising services, allowing advertisers to:
    - use any combination of ad formats, such as sponsored products, headline search ads and product display ads; and
    - advertise on other Amazon-owned and operated sites (e.g. IMDB), other shopping sites (e.g. Quidsi) and video streaming platforms (e.g. Twitch).Amazon is also reportedly developing audio advertising on Alexa.<sup>27</sup>
  - iii. **Twitter** – Twitter reported that it had *“reached a new milestone in Q4 [2019] with quarterly revenue in excess of \$1 billion, reflecting steady progress on revenue product”*.<sup>28</sup>

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<sup>20</sup> DPI Final Report, page 128.

<sup>21</sup> See <https://www.statista.com/statistics/266249/advertising-revenue-of-google/>

<sup>22</sup> See <https://www.adnews.com.au/news/google-posts-34b-in-advertising-revenue>

<sup>23</sup> See <https://www.businessinsider.com/alphabet-finally-disclosed-details-about-youtubes-advertising-revenue-2020-2?r=AU&IR=T>

<sup>24</sup> See <https://www.channelnews.com.au/google-youtube-revenues-revealed/>

<sup>25</sup> See <https://www.marketingmag.com.au/news-c/news-google-amazon-ad-revenue/>

<sup>26</sup> CNBC, Annie Palmer, *Amazon soars after huge earnings beat*, 30 January 2020: <https://www.cnbc.com/2020/01/30/amazon-amzn-q4-2019-earnings.html>.

<sup>27</sup> CNBC, *Amazon has big plans for Alexa ads in 2018; it's discussing options with P&G, Clorox and others*, 2 January 2018:

<https://www.cnbc.com/2018/01/02/amazon-alexa-is-opening-up-to-more-sponsored-product-ads.html>; Marketing Land, Ginny Marvin, *Analysts say Amazon’s advertising business will surpass AWS by 2021*, 14 August 2018: <https://marketingland.com/analysts-say-amazons-advertising-business-will-surpass-aws-by-2021-245983>.

<sup>28</sup> Twitter, *Twitter Announces Fourth Quarter and Fiscal Year 2019 Results*, 6 February 2020:

[https://s22.q4cdn.com/826641620/files/doc\\_financials/2019/q4/Q4-2019-Earnings-Press-Release.pdf](https://s22.q4cdn.com/826641620/files/doc_financials/2019/q4/Q4-2019-Earnings-Press-Release.pdf).



Its “[a]dvertising revenue [totalled] \$885 million, an increase of 12% year-over-year”.<sup>29</sup> Advertising on Twitter offers “a great opportunity for businesses to reach a global audience of new and existing customers” due to “hundreds of millions of users and over 500 million Tweets being sent each day”.<sup>30</sup>

- iv. **Snap** – Snap reported that its “fourth quarter revenue increased 44% year-over-year to \$561 million”, with “revenue from Commercials more than [tripling] year-over-year in Q4 2019” and revenue from Story Ads doubling year-over-year.<sup>31</sup> Snap also reported that its “Daily Active Users increased 17% year-over-year to 218 million”.<sup>32</sup>
- v. **Pinterest** – Pinterest reported a revenue growth of “46% year over year to \$400 million” for Q4 2019.<sup>33</sup> For 2019, “revenue grew 51% year over year to \$1,143 million” and “global Monthly Active Users (MAUs) grew 26% year over year to 335 million”.<sup>34</sup>
- vi. **TikTok** – across Google Play and Apple’s App Store, “TikTok has accumulated close to 1.9 billion lifetime installs” and was downloaded “by close to 113 million App Store and Google Play users worldwide in February [2020]” alone.<sup>35</sup> This made TikTok “the most downloaded non-game app worldwide [in February 2020], outperforming the likes of WhatsApp and Facebook, with installs up approximately 96 percent year-over-year from February 2019.”<sup>36</sup> TikTok is being considered as the “next frontier in social media not just for influencers, but for marketers and advertisers, as well.”<sup>37</sup> Forrester estimates that TikTok now has more than 700 million monthly active users globally.<sup>38</sup>

**We face competition from all types of advertising, including search advertising**

- e. **Any perceived (and historic) distinctions between “search” and “display” advertising are no longer competitively meaningful**, as digital advertising has evolved significantly over the past decade. As set out in Box 1 below, all platforms—whether focused on search or display advertising (or both)—seek to provide advertisers with access to an engaged user base, wherever they are.

**Box 1: Display advertising competes closely with other forms of advertising**

Advertising—regardless of its form—is based on capturing user engagement; for an ad to be effective, people have to see it, hear it, or experience it.

There is significant competition across different forms of digital advertising. Indeed, the fact that both search and display advertising today enable sophisticated user targeting and ad

<sup>29</sup> Twitter, *Twitter Announces Fourth Quarter and Fiscal Year 2019 Results*, 6 February 2020:

[https://s22.g4cdn.com/826641620/files/doc\\_financials/2019/q4/Q4-2019-Earnings-Press-Release.pdf](https://s22.g4cdn.com/826641620/files/doc_financials/2019/q4/Q4-2019-Earnings-Press-Release.pdf).

<sup>30</sup> Twitter Business, Advertising on Twitter: <https://business.twitter.com/en/Twitter-ads-signup.html>.

<sup>31</sup> Snap Inc, *Snap Inc. Announces Fourth Quarter and Full Year 2019 Financial Results*, 2 April 2020: <https://investor.snap.com/news-releases/2020/02-04-2020-210906650>.

<sup>32</sup> Snap Inc, *Snap Inc. Announces Fourth Quarter and Full Year 2019 Financial Results*, 2 April 2020: <https://investor.snap.com/news-releases/2020/02-04-2020-210906650>.

<sup>33</sup> Pinterest, *Pinterest Announces Fourth Quarter and Full Year 2019 Results*, 6 February 2020: <https://investor.pinterestinc.com/press-releases/press-releases-details/2020/Pinterest-Announces-Fourth-Quarter-and-Full-Year-2019-Results/default.aspx>.

<sup>34</sup> Pinterest, *Pinterest Announces Fourth Quarter and Full Year 2019 Results*, 6 February 2020: <https://investor.pinterestinc.com/press-releases/press-releases-details/2020/Pinterest-Announces-Fourth-Quarter-and-Full-Year-2019-Results/default.aspx>.

<sup>35</sup> Sensor Tower, *TikTok Generates Record 113 Million Downloads in February, Nearing 2 Billion Lifetime Installs*, 25 March 2020: <https://sensortower.com/blog/tiktok-record-revenue-downloads-february-2020>.

<sup>36</sup> Sensor Tower, *TikTok Generates Record 113 Million Downloads in February, Nearing 2 Billion Lifetime Installs*, 25 March 2020: <https://sensortower.com/blog/tiktok-record-revenue-downloads-february-2020>.

<sup>37</sup> Business Insider, Andrew Meola, *Analyzing Tik Tok user growth and usage patterns in 2020*, 12 February 2020: <https://www.businessinsider.com/tiktok-marketing-trends-predictions-2020?r=US&IR=T>.

<sup>38</sup> See <https://www.adnews.com.au/news/irreverent-app-tiktok-is-pulling-in-millions-of-dollars-from-australia>

performance measurement, rely on automated bidding systems and use greater image-focused content, illustrate their interchangeability. This is supported by Performance Marketing Insider<sup>39</sup> and, more recently, the Lear Report.<sup>40</sup>

For example, Performance Market Insider explains several reasons behind the convergence of display and paid search including:

- the adoption of retargeting by search ad providers (copying display ads);
- the adoption of automated bidding systems by display ad providers (copying search ads);
- the increased use of images in search ads; and
- the development of display ad delivery systems by the traditional search ad players.<sup>41</sup>

Similar to search advertising, display advertising can target consumers that have already shown an interest in products based on factors about their online behaviour. These tools enable advertisers to target display adverts on the basis of interest and intent in the same way that they can target search adverts. The wide availability of data and sophisticated tools for data analysis allow any ad-supported platform – whether it focuses on search or display advertising (or both) - to target and re-target consumers. Data allowing advertisers to target consumers with precision is widely available from multiple sources.<sup>42</sup>

Similar targeting techniques have become commonplace across search and display. As a notable example, Google changed its privacy policy in 2016 that required it to keep data on its users' searches separate from data on its users' web-browsing history. This change has enabled Google to offer search and display advertising services that are targeted in the same manner.<sup>43</sup>

- f. Ultimately, advertisers are focused on achieving action-based objectives after seeing an ad (e.g. increase sales, increase app installs, build brand awareness, etc.) and the key driver of an advertiser's choice is the ROI of each type of advertising. This means advertisers will readily switch their spend from Facebook to other advertising channels (whether display or search) if that would achieve a higher ROI.

<sup>39</sup> Performance Market Insider, Pierre Kiciak, The Where and Why of Convergence Between Display and Paid Search, 6 June 2016: <http://performancein.com/news/2016/06/06/where-and-why-convergence-between-display-and-paid-search/>.

<sup>40</sup> Lear, Ex-post Assessment of Merger Control Decisions in Digital Markets for the UK Competition and Markets Authority, 9 May 2019, para. II.57.

<sup>41</sup> See Performance Market Insider, Pierre Kiciak, The Where and Why of Convergence Between Display and Paid Search, June 6, 2016, available at: <http://performancein.com/news/2016/06/06/where-and-why-convergence-between-displayand-paid-search/>.

<sup>42</sup> See section 3 of Professor Catherine Tucker Report at <https://www.accc.gov.au/system/files/Facebook%20Australia%20-%20expert%20report%20from%20Professor%20Catherine%20Tucker%20%28Nove....pdf>

<sup>43</sup> See Google: About "Search Network with Display Select," available at: <https://support.google.com/adwords/answer/3437721?hl=en>. When an advertiser chooses Google's "Search Network with Display Select" option, Google helps that advertiser to "reach people as they use Google search or visit sites across the web." More specifically, Google explains to advertisers that, with this tool, "[y]our ads can appear when people search for terms on Google search and search partner sites that match your keywords. They can also appear on relevant pages across the web on the Google Display Network. However, your ads are shown selectively on the Display Network and bidding is automated, helping you reach people who are most likely to be interested in the products and services you're advertising." See also Julia Angwin, Google Has Quietly Dropped Ban on Personally Identifiable Web Tracking, ProPublica (Oct. 21, 2016), available at: <https://www.propublica.org/article/google-has-quietly-dropped-ban-on-personally-identifiable-web-tracking>.

***Offline channels are increasingly capable of delivering more relevant ads and measuring the effectiveness of ad campaigns***

- g. We face strong competition from offline channels, which have achieved significant advertising revenue growth in recent years. As set out above, our customers regularly provide feedback that when budgeting for advertising, they consider how to allocate their advertising spend across the wide range of available advertising channels – including television, print media, radio, outdoor advertising and online platforms (both display and search).
- h. Advertisers often allocate a significant proportion of their advertising spend to offline channels. This is demonstrated by the strong growth in certain offline advertising channels – as noted above, outdoor advertising has enjoyed consecutive growth for ten years to Q3 2019<sup>44</sup> and BVOD advertising revenues grew by 42.8% in Australia in H2 2019.<sup>45</sup>
- i. Offline channels are also increasingly capable of delivering more precisely targeted advertising and measuring ad performance. Technological developments mean that there are now many businesses effectively following user activity (and interests) across multiple online and offline channels to provide targeted advertising. These companies—which include large supermarkets, airlines and newspapers—obtain data from a wide variety of means, including through people using their products and services and through partnerships with data brokers.
- j. New technologies, such as cable set-top boxes, and the products offered by companies like Nielsen and TiVo have made targeted advertising on television (and measurement data) increasingly possible.<sup>46</sup> Think TV has noted that:<sup>47</sup>

*“While TV is known for its ability to offer incredible scale and reach, today it can also help you to speak to targeted and specific audiences, giving TV the ability to deliver at both the top and the bottom of the marketing funnel.*

*OzTAM has long provided audience breakdowns by classifications such as age, sex, occupation group, education level and household size and the forthcoming launch of Virtual Oz which combines OzTAM and RegTAM measurement data with the Broadcaster Video on Demand (BVOD) Video Player Measurement (VPM) reports, will take cross-screen TV planning to a whole new level.*

*Already, logged in users of BVOD services enable broadcasters to dynamically insert ads tailored for the viewer and Smart TVs are enabling addressable TV. Addressable TV gives you the ability to show different ads to different audiences even when they are watching the same program.”*

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<sup>44</sup> <https://thoughtleadership.oaaa.org/10-years-of-oooh-growth-no-end-in-sight/>

<sup>45</sup> See <https://www.mediaweek.com.au/bvod-revenue-soars-43-but-tv-dollars-down-5-in-2019/>; <https://thinktv.com.au/news/total-tv-market-records-4-billion-in-ad-revenue-for-fy18-19-bvod-revenues-increase-by-32-2-for-the-financial-year/>; <https://www.adnews.com.au/news/here-s-why-bvod-is-australia-s-fastest-growing-media-category>.

<sup>46</sup> See Steven Perlberg, *Targeted Ads? TV Can Do That Now TOO*, Wall Street Journal (Nov.20,2014), available at <http://www.wsj.com/articles/targeted-ads-tv-can-do-that-now-too-1416506504>.

<sup>47</sup> See <https://thinktv.com.au/how-to-advertise-on-tv/choose-your-target-audience/>.

***Advertisers frequently and instantaneously switch their spend between advertising channels***

- k. As noted above, advertising is typically designed to increase sales and the key driver of an advertiser's choice is the ROI of each type of advertising.
- l. Advertisers multi-home and shift their spend in real-time across advertising channels in an effort to maximise their ROI. The widespread availability of advertiser tools, such as real-time dashboards and cross-channel attribution technologies, "*allow advertisers to invest their advertising dollars instantaneously into the campaign that is offering the largest ROI.*"<sup>48</sup> These tools have lowered advertisers' switching costs, enabling them to substitute higher-performing advertising channels more frequently and immediately.<sup>49</sup> These tools allow advertisers rapidly to shift their budgets between channels, including various forms of digital, print, television, billboard and radio advertising, depending on their advertising objectives, campaigns and commercial decisions at any one time and based on which channels deliver the greatest ROI. The typical lack of long-term commitments on any given online platform, including Facebook, facilitates this kind of rapid redeployment.

**3. The vast majority of adverts delivered using Facebook's advertising solutions are surfaced directly on Facebook's owned and operated platforms**

***Facebook's innovative and efficient advertising solutions primarily enable advertisers to surface ads directly on Facebook's owned and operated platforms***

- a. Similar to many other businesses that supply advertising services (e.g. print, radio, television, outdoor and many online platforms), we offer advertisers a streamlined process to place advertisements directly on our own platforms through Facebook Ads.
- b. Our advertising solutions aim to deliver the right ad to the right user at the right time. Our ability to deliver innovative services in this way depends on the advertising revenue we generate, which accounted for almost all (approximately 99%) of our global revenue in 2019.<sup>50</sup> As a result, our success is directly contingent on ensuring that our services continue to be valuable to users, such that those users continue to engage with us. This ensures that we continue to attract advertisers and advertising revenue, which in turn enables us to innovate and continue offering services which are valuable to users. Conversely, if we fail to provide value to advertisers, they can and will shift their budgets to other providers and channels. That would in turn reduce our revenues, threatening our ability to continue to provide innovative and high-quality services to users and resulting in users leaving our services.
- c. Ads Manager is a self-service tool and is available, free of charge, to anyone with a Facebook ad account. Advertisers use Ads Manager, our self-service ad platform, to launch and manage their advertising campaigns. It provides advertisers with a straightforward process for creating an advertising campaign. Through Ads Manager, we sell ads primarily on our own platforms (i.e. Facebook, Instagram and Messenger) and also through FAN, which offers advertisers the option to purchase ads on participating third-party mobile apps (**Publisher Properties**) as further explained in section 4 below. In this context, advertisers simply choose FAN as an option alongside

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<sup>48</sup> See section 4.2 of Professor Catherine Tucker Report dated 27 November 2018.

<sup>49</sup> See section 4.2 of Professor Catherine Tucker Report dated 27 November 2018.

<sup>50</sup> Facebook's advertising revenue in 2019 amounted to US\$69.7 billion, of a total revenue of US\$70.7 billion. See Facebook, Inc, Form 10-K 2019, page 44, available at: <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680120000013/fb-12312019x10k.htm>.

the other Facebook owned and operated platforms on the Ads Manager interface. Ads placed on FAN go through the same central auction mechanism described below, using the same targeting methods as any other placement option.

- d. The vast majority of ads delivered using our advertising solutions are surfaced on our owned and operated platforms.

***Facebook’s advertising solutions make creating a bespoke advertising campaign more accessible than ever before***

- e. Together with our free e-learning resources (accessible via Facebook’s “Blueprint” portal<sup>51</sup> and various other Facebook Business resources),<sup>52</sup> our Ads Manager tool provides an easy, step-by-step process, through which any advertiser can build a bespoke advertising campaign in minutes, by:<sup>53</sup>
  - i. First, selecting a marketing objective. Over a dozen objectives are available, including promoting the advertiser’s Facebook Page and posts, connecting users with the advertiser’s business on Facebook, sending users to the advertiser’s own website, installing the advertiser’s app, and raising attendance at a specific event. While the objectives can be granular (e.g. video views, Page posts or websites clicked), all objectives fall under three broader goals of awareness, consideration and conversion.
  - ii. Second, choosing an audience on an anonymised basis according to certain characteristics such as location, age, gender and language. Identifying details of specific users are not shared with advertisers in this process.
  - iii. Third, choosing placement options (i.e. where the advertiser wants to run the ad), either on Facebook, Instagram, Messenger or on the FAN Publisher Properties – or across them all. In this step, advertisers can also choose to specify the devices on which their ads will run.
  - iv. Fourth, setting a budget (either for the life of the ad, or a daily budget which resets every day) and specifying how long the advertiser wants its ad to run. Once the target audience and budget are defined, we provide advertisers with an estimated audience size of the users that will be eligible to see the ad.
  - v. Fifth, choosing an ad format and creating the ad, utilising innovative ad formats such as carousel images, videos and ephemeral videos.
- f. Before making the selections to place an advertising bid on Ads Manager, advertisers can use the Audience Insights functionality within Ads Manager<sup>54</sup> to learn more about different targeting criteria and options. Audience Insights show advertisers information such as the demographic

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<sup>51</sup> Facebook Blueprint: <https://www.facebook.com/business/learn>.

<sup>52</sup> Facebook Insights: <https://en.gb.facebook.com/business/insights/tools/>.

<sup>53</sup> For an overview guide of how Facebook Ads Manager works, see <https://www.facebook.com/business/help/200000840044554>.

<sup>54</sup> See <https://www.facebook.com/business/news/audience-insights>.

breakdown of certain targeting categories and correlating information of those categories, such as job titles, Page likes, location and activity level.

- g. Importantly, we do not require advertisers to sign-up to any long-term advertising commitment for access to our advertising solutions. In fact, advertisers can launch an advertising campaign on Facebook for as little as AUS\$1.00. There are now more than 140 million small businesses worldwide that use our services to grow– the vast majority of which use our services for free. These options enable even the smallest of businesses to use our advertising services and give businesses with limited advertising experience the opportunity to experiment with online advertising, at minimal risk.

***Facebook’s auction mechanism is aimed at benefiting users and advertisers directly***

- h. Our pricing for advertising is determined by an auction mechanism. An auction takes place whenever someone is eligible to see an ad. When an ad enters the auction, it competes with ads from other advertisers who target the same people who are eligible to see the ad.
- i. The winner of an ad auction on Facebook is not necessarily the advertiser that bids the highest monetary amount. Rather, it is the ad which offers the highest ‘total value’ to a user that will win Facebook’s ad auction,<sup>55</sup> taking into account:
  - i. the estimated likelihood and rate at which users will support an advertiser’s advertising objective;
  - ii. the advertiser’s bid amount; and
  - iii. crucially, the ad’s quality and relevance to users.
- j. In this manner, the auction mechanism delivers beneficial outcomes to users, who see ads which are of high quality and relevance to them, while ensuring that advertisers reach the audience most likely to interact with their ads.

***Facebook provides advertisers with clear and transparent measurement tools so they can make informed decisions about advertising on Facebook***

- k. The Issues Paper refers to the ongoing market study into online platforms and digital advertising by the UK Competition and Markets Authority (CMA). In the interim report for this market study (the **Interim Report**), the CMA notes:

*“To make informed choices that can drive competition, advertisers need to be able to measure advertising outcomes to assess effectiveness and verify quality, accounting for factors such as viewability, brand safety and ad fraud”.*<sup>56</sup>

- l. We agree and strive to ensure that we give advertisers easily accessible, clear and transparent tools and information to measure and manage campaign performance in real-time, at no additional cost. Accurate metrics improve the experience for both users and advertisers by

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<sup>55</sup> For more information see: Facebook Business, Optimisation, Ad delivery: <https://en-gb.facebook.com/business/help/430291176997542>.

<sup>56</sup> The CMA Interim Report is available at: [https://assets.publishing.service.gov.uk/media/5dfa0580ed915d0933009761/Interim\\_report.pdf](https://assets.publishing.service.gov.uk/media/5dfa0580ed915d0933009761/Interim_report.pdf). See paragraph 5.122.

helping advertisers to create high quality advertisements and target them to the people most likely to find them interesting and relevant.

- m. We offer three broad categories of metrics that can be accessed via Facebook’s self-service tools, including Ads Manager,<sup>57</sup> Brand Lift,<sup>58</sup> Business Manager,<sup>59</sup> Conversion Lift,<sup>60</sup> Offline Reporting,<sup>61</sup> Facebook Analytics<sup>62</sup> and Audience Insights.<sup>63</sup> These are:
- i. **Ads reporting metrics** – these metrics are based solely upon our own data and reflect the level of engagement between a user and the advertisement, including, but not limited to, the number of impressions, clicks and likes an advertisement received.
  - ii. **Insights metrics** – these metrics provide aggregated demographic and interest information about our users who visit the advertiser’s website, use its mobile application or engage with the advertiser’s campaign. For example, an advertiser can assess the number of users within specific age ranges or the gender ratio of users who clicked on its advertisement. This information helps advertisers provide more relevant content and develop features that are likely to be interesting to their customers.
  - iii. **Conversion metrics** – these metrics measure the effectiveness of an ad campaign based on the advertiser’s marketing objective (e.g. online sales or app downloads). Using conversion data provided by the advertiser, we compile customized conversion metrics. For example, if an advertiser wishes to increase traffic to its website, we will provide metrics identifying the number of users who visited the website after viewing the ad.
- n. We also partner with more than 40 companies around the world who provide independent third-party metrics for our ads. These metrics fall into five broad categories—reach, viewability, attribution, brand lift and outcome lift. In Australia, we have partnered with a range of partners, including Nielsen for reach, Integral Ad Science and Moat for viewability, AppsFlyer for attribution, and Quantum and Experian for lift. We provide these partners with the data needed to calculate and verify these metrics independently. In addition, Facebook’s measurement of ad impressions in News Feed is accredited by the non-profit industry organisation, the Media Rating Council, the same organisation that sets industry measurement standards for television and radio.<sup>64</sup>
- o. Further, we partner with several independent companies, including Moat, Comscore and Integral Ad Science, which perform regular checks on Facebook’s ad viewability and other engagement metrics.<sup>65</sup> Indeed, in July 2018, Facebook and Instagram were certified for the Internet Advertising Bureau’s (IAB) UK Gold Standard 1.0.<sup>66</sup>

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<sup>57</sup> Facebook Business, Ads Manager: <https://www.facebook.com/business/tools/ads-manager>.

<sup>58</sup> Facebook Business, Optimisation Split testing & Test and Learn: <https://www.facebook.com/business/help/1693381447650068>.

<sup>59</sup> Facebook Business, Business Manager: <https://www.facebook.com/business/tools/business-manager>.

<sup>60</sup> Facebook Business, Conversion Lift, <https://en-gb.facebook.com/business/m/one-sheeters/conversion-lift>.

<sup>61</sup> Facebook Business, Offline conversions: <https://en-gb.facebook.com/business/help/1782327938668950>.

<sup>62</sup> Facebook Analytics: <https://analytics.facebook.com/>.

<sup>63</sup> Facebook Business, Audience Insights: <https://en-gb.facebook.com/business/insights/tools/audience-insights>.

<sup>64</sup> Media Rating Council, *Update on Status of MRC’s Audit of Facebook’s Viewability Pipeline Integrations*, 27 November 2018:

[http://www.mediaratingcouncil.org/112718%20FB%20Viewability%20Pipeline%20Update\\_Final.pdf](http://www.mediaratingcouncil.org/112718%20FB%20Viewability%20Pipeline%20Update_Final.pdf).

<sup>65</sup> For more detailed information on Facebook’s measurement tools, see Facebook Blueprint, *Getting Started With Facebook and Partner Measurement Solutions*, 11 April 2019:

<https://www.facebookblueprint.com/student/activity/181816-getting-started-with-facebook-and-partner-measurement-solutions>.

<sup>66</sup> IAB UK Gold Standard Certified and Registered: <https://www.iabuk.com/news-article/gold-standard-certified-and-registered>.

- p. Our innovative advertising solutions and measurement tools have enabled Australian SMBs to access advertising in a way that has not previously been possible, helping SMBs grow their businesses while contributing to the competitiveness of the wider Australian economy. In January 2019, Dr. Christine McDaniel, a senior fellow at the Mercatus Center at George Mason University examined data from a Future of Business Survey undertaken by the Organisation for Economic Co-operation and Development, the World Bank and Facebook. Dr. McDaniel found that Facebook facilitates international trade for SMBs in Australia and that “*Australian SMBs on Facebook consistently export more than SMBs in general, irrespective of firm size and industry*”.<sup>67</sup> Further, a 2019 survey of Australian SMBs conducted by Ipsos Public Affairs (on behalf of Facebook)<sup>68</sup> found that 70% of SMBs surveyed considered Facebook to be important to their business, with 78% SMBs surveyed considering Instagram to be important.<sup>69</sup> In addition, 51% of Australian SMBs that their business is stronger today because of Facebook’s services (i.e. Facebook, Messenger, Instagram and WhatsApp).<sup>70</sup>

#### 4. Facebook plays a very limited role in, and is not present at, multiple levels of the ad tech stack

***The ad tech stack comprises a number of different functions with different participants active across each of these functions***

- a. The “ad tech stack” refers to the ecosystem that makes programmatic advertising trading possible. While our participation in the ad tech stack is limited, we consider that the characterisation of certain functions—and the diagrams used in the Issues Paper—are not entirely reflective of how the ad tech stack operates in practice, in particular on the supply side.
- b. A simplified and illustrative version of the demand and supply side of the intermediation chain is set out in Diagram 1 below, followed by Diagram 2 which sets out Facebook’s limited activities in this space.

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<sup>67</sup> See C McDaniel and D Parks, Mercatus Centre, *Businesses on Facebook and Propensity to Export: Australia* at [https://www.mercatus.org/system/files/mcdaniel\\_and\\_parks\\_-\\_policy\\_brief\\_-\\_digital\\_platforms\\_small\\_and\\_medium-sized\\_businesses\\_-\\_v1.pdf](https://www.mercatus.org/system/files/mcdaniel_and_parks_-_policy_brief_-_digital_platforms_small_and_medium-sized_businesses_-_v1.pdf)

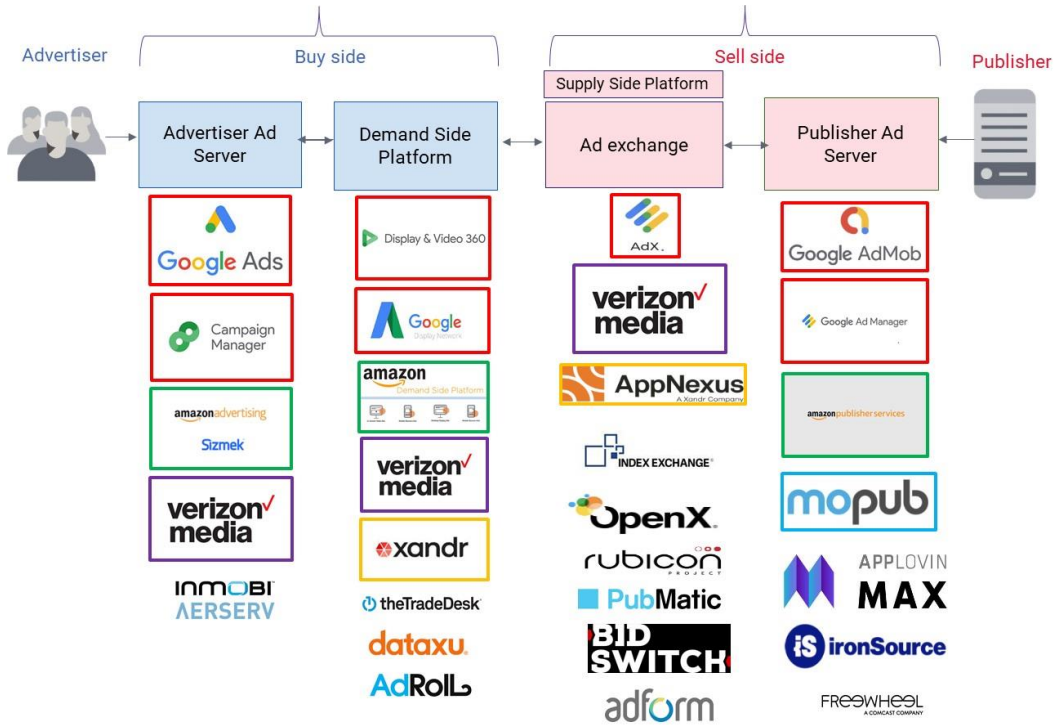
<sup>68</sup> As part of this survey, a random and representative sample of 1,000 respondents representing micro, small and medium-sized businesses across Australia were interviewed between 23 October 2019 to 6 November 2019.

<sup>69</sup> Australia Facebook SMB Survey 2019

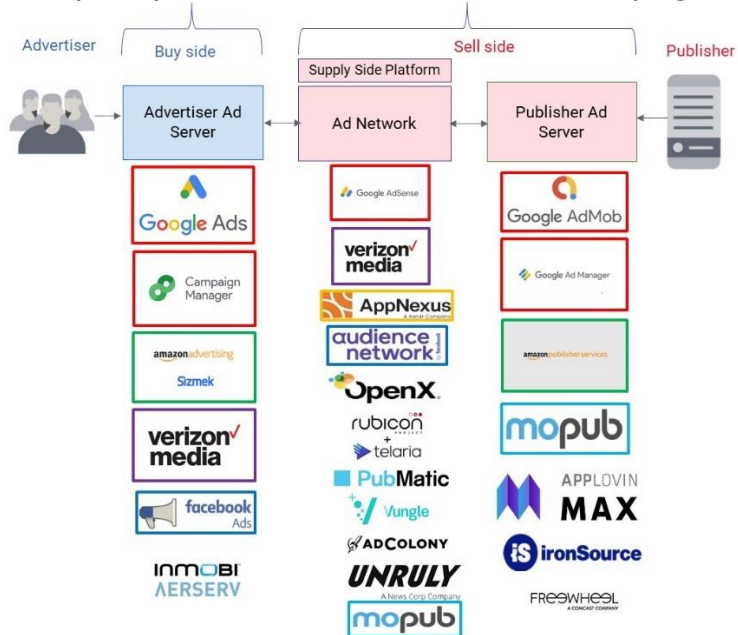
<sup>70</sup> Australia Facebook SMB Survey 2019



**Diagram 1: Main participants in ad tech stack in Australia: programmatic path**



**Diagram 2: Main participants in ad tech stack in Australia: non-programmatic path**



**Notes:**

These diagrams only represent a sample of the players present in the ad tech stack in Australia. There are a significant number of other demand and supply side ad tech companies operating in Australia.

Google entities are indicated by a red box; Amazon entities are indicated by a green box; Verizon Media entities are indicated by a purple box; AT&T entities are indicated by a yellow box; Twitter entities are indicated by a blue box; and Facebook entities (which only appear in Diagram 2) are indicated by a navy box.

- c. For the purposes of Diagrams 1 and 2, we have adopted the ACCC definitions in the Issues Paper, except in relation to Supply Side Platforms (**SSPs**). As explained below, and illustrated in Diagrams 1 and 2 above, SSPs encompass different types of platforms and the publisher’s choice of SSP impacts the supply path between the publisher and advertiser. The ad tech stack comprises the following participants:
- i. On the demand side:
    1. **Advertisers** who buy digital display advertising opportunities (or ad inventory) from publishers to influence consumers’ perceptions or actions. Advertisers may directly transact with publishers or, more commonly, transact through one or more intermediaries supplying a variety of ad tech services and ad agency services.
    2. **Advertiser Ad Servers** – these are servers used by advertisers to manage and track all ad and campaign information in one location.
    3. **Demand Side Platforms (DSPs)** – these are platforms used by advertisers to help them purchase ad inventory from suppliers of ad inventory as effectively and cheaply as possible, and which utilise various data to provide ad targeting services.
  - ii. On the supply side:
    1. **Publishers** – these are suppliers of online content, mobile apps, or other services that attract consumers’ time and engagement online and that host advertising opportunities that they sell to advertisers.
    2. **SSPs** – the ACCC has defined SSPs as platforms used by publishers to maximise the price at which ad inventory is sold by setting price floors, determining what data to include in the auction and deciding which buyers can bid. However, this does not encompass a range of participants and networks that provide similar (or at least some of the same) services as SSPs (as defined by the ACCC). We therefore propose that an SSP should be considered — for the purposes of the Inquiry — as including both ad exchanges and ad networks. Publishers select to sell their inventory either through an ad exchange or an ad network; this choice by the publisher changes the supply path between publisher and advertiser (as illustrated in **Diagrams 1 and 2** above).
      - **Ad Exchanges** provide a sales channel to publishers and ad networks, as well as aggregated inventory to advertisers. They provide a technology platform that facilitates automated auction-based pricing and buying in real-time.<sup>71</sup>
      - **Ad Networks** provide an outsourced sales capability for publishers and a means to aggregate inventory and audiences from numerous sources in a single buying opportunity for media buyers. Ad networks may provide specific

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<sup>71</sup> IAB, Data Driven Advertising, <https://www.iab.com/insights/data-driven-advertising/>

technologies to enhance value to both publishers and advertisers, including unique targeting capabilities, creative generation, and optimisation.<sup>72</sup>

Although ad exchanges and ad networks are increasingly integrated, there are differences between an ad exchange and an ad network: ad exchanges use real-time bidding to value audiences based on custom targeting, the objective being to identify the right user at the right time; whereas ad networks use a static or fixed average rate of bidding for a pre-defined list of publishers' inventory.

3. **Publisher Ad Servers** – these are used by websites to organise and manage ad inventory and opportunities on their website. Publisher ad servers typically determine what ads will be shown, serve ads, and also collect information on the performance of those ads.
- d. As illustrated in Diagram 1 above, and recognised by the ACCC in the DPI Final Report, there “are many firms that supply ad tech services”, but “Google is the only company that offers ad tech services across the entire ad tech supply chain”. In the DPI Final Report, the ACCC also stated that: “The revenue and ad inventory flowing through Google’s ad tech services are significantly larger than any other firm or supplier.”<sup>73</sup> Datanyze estimates that: (i) Google’s market share of DSP services in Australia is 71%, with the next largest firm having an 8% share (ONE by AOL, now a part of Verizon Media);<sup>74</sup> and (ii) Google’s share of ad exchange services in Australia is 57%, with the next largest competitor having a 14% share (App Nexus).<sup>75</sup>
  - e. There are also other players that are active at multiple levels of the ad tech stack, such as Amazon, AT&T, Verizon and Twitter. Alongside these more integrated players, there are a wide range of smaller players that are active at only one or two levels of the ad tech stack (as is the case with Facebook).

**Facebook has very limited participation in the ad tech stack, and the Issue Paper therefore mischaracterises our participation in the ad tech stack**

- f. In the DPI Final Report, the ACCC acknowledged Facebook’s limited role in the ad tech stack:<sup>76</sup>

*“The ACCC notes that the issues relating to ad tech services do not apply in the same way to Facebook’s advertising platform. While Facebook’s advertising platform facilitates the sale and purchase of programmatic display ads, the entire Facebook advertising service offered to advertisers and websites does not interconnect with other parts of the ad tech supply chain. The Facebook advertising platform is therefore not considered to be an ad tech service”.*

To the extent that we have any role in the ad tech stack, that role is limited to supplying third party publishers with a source of demand for advertising inventory on their platforms.

- g. As noted above, Facebook’s advertising solutions allow advertisers to purchase advertising on participating Publisher Properties through FAN. FAN was launched in 2014 to enable advertisers

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<sup>72</sup> IAB, Data Driven Advertising, <https://www.iab.com/insights/data-driven-advertising/>

<sup>73</sup> DPI Final report, page 128.

<sup>74</sup> See <https://www.datanyze.com/market-share/dsp-65/Australia>

<sup>75</sup> See <https://www.datanyze.com/market-share/ad-exchanges-399/Australia>

<sup>76</sup> Final DPI Report, page 151.

to extend the delivery of their advertising campaigns off Facebook to Facebook users on third-party publishers. Through FAN, Facebook seeks to match advertisers seeking a broader audience to businesses looking to fill their unsold advertising space on their mobile apps.<sup>77</sup>

- h. In this context, we act as an ad network (as defined at paragraph 4.2(b) above) by providing a competing source of demand for advertising inventory to publishers. However, we do not operate any publisher ad server and instead integrate with the third-party publisher ad server chosen by the publisher.
- i. We do not currently participate in the ad tech stack in any other manner:
  - i. **We are not an ad exchange.** We do not run any auction or similar real-time exchange in which both DSPs and ad exchanges connect advertisers and publishers.
  - ii. **We are not a DSP.** DSPs provide a platform that allows advertisers and media agencies to buy advertising inventory from many sources. DSPs also bid on impressions based on the buyer's objectives and using data about the consumers. We do not currently do this, as acknowledged in the CMA's Interim Report.<sup>78</sup>
  - iii. **We are not a publisher ad server.** We integrate with the third-party publisher ad server chosen by the publisher. Notably, the CMA did not list FAN as a publisher ad server in its Interim Report.<sup>79</sup>
- j. In circumstances where we provide advertising inventory on our owned and operated platforms, we operate as a type of advertiser ad server (i.e. Facebook Ads). However, unlike some other advertiser ad servers, Facebook Ads is not a source of demand for DSPs. Rather, Facebook Ads acts as a source of demand only for Facebook's owned and operated platforms (i.e. Facebook, Instagram and Messenger). We do not offer this function as a standalone service in the ad tech ecosystem.
- k. The Issues Paper states that *"Facebook ... supplies vertically integrated ad tech services for ad inventory made available on the Facebook Audience Network"*. We do not agree with this characterisation, as we do not provide a publisher ad server or run ad exchange auctions, and we do not independently offer market-wide analytics.
- l. As mentioned above, FAN supplies inventory demand to publishers through integrating with the publisher's choice of third-party publisher ad servers. The publisher ad server determines which

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<sup>77</sup> We provide various performance, metrics and analysis tools to publishers on Monetisation Manager. This is a platform specifically provided to manage placements, understand performance and enable insights for inventory on FAN and includes easy to read dashboards across key metrics like impressions, revenue, cost per thousand impressions, and fill rate.

<sup>78</sup> The CMA Interim Report is available at: [https://assets.publishing.service.gov.uk/media/5dfa0580ed915d0933009761/Interim\\_report.pdf](https://assets.publishing.service.gov.uk/media/5dfa0580ed915d0933009761/Interim_report.pdf). Paragraph 5.175 states *"There are many DSPs operating in the UK. Some of the largest include Google's DV360 and Google Ads, The Trade Desk, Xandr DSP, Amazon DSP and Criteo,"*

<sup>79</sup> CMA Interim Report, paragraph 5.181 states, *"Based on submissions from industry stakeholders, we estimate that Google Ad Manager may account for more than 90% of all the display ads served in the UK. Several publishers described Google Ad Manager as the global market leader and superior to other ad servers. Other providers include Xandr and Smart, but their presence as publisher ad servers in the UK market appears to be marginal."*

demand source wins according to its own criteria. We do not choose or recommend the third-party publisher ad server that is chosen by the publisher.

***There are a number of large ad exchanges and ad networks active in Australia, with FAN being only a small provider of ad network demand sources to publishers***

- m. There are a number of ad exchanges and ad networks active in Australia. Some of the larger players, active across all formats, include Google AdSense and Google AdX, AppNexus, OpenX and Rubicon Project:
- i. **Google AdSense** – having launched in 2003, Google AdSense now has over two 2 million publishers<sup>80</sup> and 10 million websites from across the globe using its services.<sup>81</sup> It was reported in Q4 2019 that Google’s advertising revenue through Google AdSense had reached US\$6.032 billion, compared with US\$5.593 billion revenue for the same period in the year before.<sup>82</sup>
  - ii. **Google AdX** – Google acquired DoubleClick in 2007 for US\$3.1billion, which later became known as Google Ad Exchange / DoubleClick Ad Exchange (Google AdX).<sup>83</sup> Currently, Google AdX forms part of Google Ads Manager<sup>84</sup> and provides its users with access to millions of consumers.<sup>85</sup>
  - iii. **AppNexus** – founded in 2007, AppNexus was acquired by AT&T (owner of WarnerMedia) in 2018 for a sum which is estimated to be between US\$1.6bn and US\$2bn.<sup>86</sup> AppNexus currently has over 34,000 publishers and 177,000 brands transacting under its service, with 11.4 billion impressions transacted per day and 6 million queries processed per second during its peak.<sup>87</sup>
  - iv. **OpenX** – OpenX caters to the demand of approximately 30,000 advertisers and has around 2,500 supply partners in its inventory.<sup>88</sup> It evaluates more than 50 billion requests a day, facilitates 1.5 billion bid transactions per day.<sup>89</sup> OpenX has been ranked on the Deloitte Fast 500 and the Inc. 5000 due to its growth and success.<sup>90</sup> It has moved its exchange and audience platforms to Google Cloud and has helped to deliver over \$3 billion in total monetisation to publishers.<sup>91</sup>
  - v. **Rubicon Project** – founded in 2007, Rubicon Project allows publishers and applications to reach more than 1 billion consumers.<sup>92</sup> Rubicon Project’s inventory spans across 1,300

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<sup>80</sup> Google AdSense, Ezgi Cetinkaya, *Welcome to Google AdSense*, 4 March 2020: <https://www.blog.google/products/adsense/welcome-google-adsense/>.

<sup>81</sup> Built With, *Google AdSense Usage Statistics*: <https://trends.builtwith.com/ads/Google-AdSense>.

<sup>82</sup> Giz China, Efe Udin, *Google Shines in its Fourth-Quarter Financial Report*, 4 February 2020: <https://www.gizchina.com/2020/02/04/google-shines-in-its-fourth-quarter-financial-report/>.

<sup>83</sup> Search Engine Land, Ginny Marvin, *Google is retiring the AdWords & DoubleClick brands in a major rebranding aimed at simplification*, 27 June 2018: <https://searchengineland.com/google-is-retiring-the-adwords-doubleclick-brands-in-a-major-rebranding-aimed-at-simplification-301073>.

<sup>84</sup> Google Ads, Sridhar Ramaswamy, *Introducing simpler brands and solutions for advertisers and publishers*, 27 June 2018: <https://www.blog.google/technology/ads/new-advertising-brands/>.

<sup>85</sup> Google Ad Manager Help, *Compare Ad Exchange and AdSense*: <https://support.google.com/admanager/answer/4599464?hl=en>.

<sup>86</sup> Ad Exchanger, Ryan Joe, *AT&T Will Acquire AppNexus*, 25 June 2018: <https://www.adexchanger.com/tv-2/att-will-acquire-appnexus/>.

<sup>87</sup> AppNexus, *About AppNexus*: <https://www.appnexus.com/fr/node/23>.

<sup>88</sup> OpenX: <https://www.openx.com/>.

<sup>89</sup> OpenX, *About OpenX*: [http://welcome.openx.com/rs/745-BUQ-779/images/About\\_OpenX\\_PDF\\_2-21-2018.pdf](http://welcome.openx.com/rs/745-BUQ-779/images/About_OpenX_PDF_2-21-2018.pdf).

<sup>90</sup> OpenX, *OpenX Overview*: <https://www.openx.com/company/>.

<sup>91</sup> Google Cloud, *OpenX: Powering the future of advertising with Google Cloud*: <https://cloud.google.com/customers/openx>.

<sup>92</sup> Rubicon Project, *Who We Are*: <https://rubiconproject.com/about-rubicon-project/>.

media companies, more than 1 million websites, 60,000 apps and 900,000 brands,<sup>93</sup> and enables approximately 19 billion transactions to be processed per week.<sup>94</sup> Rubicon Project reported US\$156 million in revenue for 2019<sup>95</sup> and reported an increase in revenue of 17% in Q4 2019.<sup>96</sup> It recently merged with Telaria to form the largest independent sell-side ad tech company.<sup>97</sup>

- n. FAN competes with these large players to supply inventory demand to publisher ad servers chosen by publishers. However, FAN represents only a very small fraction of the demand sources for third party publishers in Australia. There are also a number of other smaller players like FAN that compete with these larger players, including PubMatic, Vungle, AdColony and Unruly.
- o. We encourage publishers to adopt technology that enables them to transact transparently with multiple ad exchanges and ad networks (i.e. we encourage publishers to engage with more sources of demand). This is aligned with the interests of publishers, as it improves their yield and ad revenue. From our perspective, it is beneficial to participate in a transparent bidding system where transactions occur in real-time and Ad Exchanges and Ad Networks are provided with instantaneous feedback so that they can adjust their offers to remain competitive.
- p. As noted above, we do not compete with Publisher Ad Servers. However, we provide an overview below of some of the larger players at this level of the ad tech stack, including Google AdMob, Google Ad Manager, Applovin Max, ironSource and MoPub<sup>98</sup>:
  - i. **Google AdMob** – originally founded in 2006, AdMob was acquired by Google in 2009 for US\$750 million.<sup>99</sup> Currently, over 1 million apps and more than 1 million advertisers use Google AdMob.<sup>100</sup>
  - ii. **Google Ad Manager** – originally launched in 2008,<sup>101</sup> Google Ad Manager was relaunched in 2018 following a rebrand to bring together DoubleClick Ad Exchange (AdX) and DoubleClick for Publishers.<sup>102</sup> Alphabet reported in its Q4 2019 financial results that its network advertising revenues were \$6billion, which was an increase of 8% year-on-year.<sup>103</sup>

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<sup>93</sup> The Motley Fool, Daniel Sparks, *Rubicon Project and Telaria Combine, Forming the Largest Independent Sell-Side Ad Tech Company*, 1 April 2020: <https://www.fool.com/investing/2020/04/01/rubicon-project-telaria-combine-forming-largest-in.aspx>.

<sup>94</sup> Inc, Rubicon Project: <https://www.inc.com/profile/rubicon-project>.

<sup>95</sup> AdWeek, Andrew Blustein, *Rubicon Project and Telaria Merge to Become the Largest Independent SSP*, 1 April 2020: <https://www.adweek.com/programmatic/rubicon-project-and-telaria-merge-to-become-the-largest-independent-ssp/>.

<sup>96</sup> Ad Exchanger, Sarah Sluis, *Rubicon Project Grows Revenue 17% As It Prepares For Telaria Merger And Cookieless Future*, 26 February 2020: <https://www.adexchanger.com/ad-exchange-news/rubicon-project-grows-revenue-17-as-it-prepares-for-telaria-merger-and-cookieless-future/>.

<sup>97</sup> The Motley Fool, Daniel Sparks, *Rubicon Project and Telaria Combine, Forming the Largest Independent Sell-Side Ad Tech Company*, 1 April 2020: <https://www.fool.com/investing/2020/04/01/rubicon-project-telaria-combine-forming-largest-in.aspx>.

<sup>98</sup> Some publisher platforms, such as TikTok, have their own built in Publisher Ad Server.

<sup>99</sup> AdWeek, Brian Morrissey, *Google to Acquire AdMob for \$750 Mil.*, 9 November 2009: <https://www.adweek.com/digital/google-acquire-admob-750-mil-100852/>.

<sup>100</sup> Google AdMob, Earn more with your apps: <https://admob.google.com/home/>.

<sup>101</sup> Inside AdSense, Ad serving for everyone, 26 August 2008: <https://adsense.googleblog.com/2008/08/ad-serving-for-everyone.html>.

<sup>102</sup> Google Ad Manager, Jonathan Bellack, *Introducing Google Ad Manager*, 27 June 2018: <https://www.blog.google/products/admanager/introducing-google-ad-manager/>.

<sup>103</sup> Alphabet, Alphabet Q4 2019 Earnings Call: [https://abc.xyz/investor/static/pdf/2019\\_Q4\\_Earnings\\_Transcript.pdf?cache=650c00a](https://abc.xyz/investor/static/pdf/2019_Q4_Earnings_Transcript.pdf?cache=650c00a).

- iii. **AppLovin Max** – since its launch, a significant number of gaming publishers have switched to using MAX, with MAX recognised “*across the mobile industry as a premium monetization solution*”.<sup>104</sup>
- iv. **ironSource** – ironSource’s in-app video ad platform reached more than 1.5 billion monthly active users in 2018, across 80,000 apps and games.<sup>105</sup> In 2019, ironSource reported that it was on track to finish the year with around US\$1 billion in revenue.<sup>106</sup>
- v. **MoPub** – owned by Twitter, MoPub brings together over 55,000 apps and 130 DSPs from across the globe.<sup>107</sup> This allows MoPub to service more than 1 trillion app advertisement requests per month and reach more than 1.4 billion devices.<sup>108</sup>

**5. Data is non-rivalrous and readily available from a range of third-party providers as well as from users directly when they choose to engage with valuable services**

- a. During the ACCC’s Digital Platforms Inquiry, MIT economist, Professor Tucker provided an independent expert report on the extent to which digital platform providers may derive an enduring competitive advantage in advertising markets from their possession of large amounts of data.<sup>109</sup>
- b. While data enables platforms to provide more targeted and relevant advertising, Professor Tucker’s report shows that the barriers to acquiring data for these purposes are not high – there are many sources and ways for platforms to obtain data. In and of itself, data is not valuable: what is valuable is the ability to draw insights from that data.

***Data is neither rare nor the preserve of just a few digital platforms – it is non-rivalrous and readily available from a range of sources***

- c. The adoption of digital services has driven extensive data collection across all industries, both globally and in Australia, including for advertising. A wide variety of companies across a range of industries—including telecommunications, smart device providers, retail, payments, financial services, airlines and pharmaceuticals—have long collected significant amounts of consumer data while digitalising. For example, airlines have used frequent flyer program data to build audience data management and media buying businesses, while retailers have access to large datasets from the customers that use their stores and shop online. Further, the quantity of data that can be collected by smart device providers is significant and expected to increase significantly – the

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<sup>104</sup> Businesswire, *AppLovin Launches MAX In-App Bidding Monetization Solution and Achieves Impactful Results*, 12 September 2019: <https://www.businesswire.com/news/home/20190912005213/en/AppLovin-Launches-MAX-In-App-Bidding-Monetization-Solution>.

<sup>105</sup> VentureBeat, Dean Takahashi, *IronSource gives mobile advertisers a choice between programmatic and ‘waterfall’ ads*, 7 March 2018: <https://venturebeat.com/2018/03/07/ironsource-gives-mobile-advertisers-a-choice-between-programmatic-and-waterfall-ads/>.

<sup>106</sup> Reuters, *CVC to invest over \$400 million in Israel’s IronSource*, 3 October 2019: <https://uk.reuters.com/article/us-ironsource-m-a-cvc/cvc-to-invest-over-400-million-in-israels-ironsource-idUKKBN1W1WZ>.

<sup>107</sup> Mopub, Our history: <https://www.mopub.com/company/history/>.

<sup>108</sup> Mopub, Our history: <https://www.mopub.com/company/history/>.

<sup>109</sup> See <https://www.accc.gov.au/system/files/Facebook%20Australia%20-%20expert%20report%20from%20Professor%20Catherine%20Tucker%20%28Nove...pdf>

International Data Corporation forecast that there will be 80 billion connected devices by 2025 globally (that is 152,000 smart devices being connected to the Internet a minute).<sup>110</sup>

- d. The data “troves” of such organisations contribute significantly to the existing and ever-increasing availability of data. In fact, a 2018 study by IBM and Oxford University found that digital platform companies account for only around 20% of “commercializable” data available globally, while “far older incumbents like Unilever, Procter & Gamble, Bank of America and the UK’s Santander own about 80%”.<sup>111</sup>
- e. **Data is also non-rivalrous.** Unlike money, consumers can and do choose to share exactly the same data with an inexhaustible number of other platforms and services. For example, a photo taken on an iPhone may be stored on Dropbox, posted on Facebook, shared on Snapchat and uploaded to a digital printing website all within a matter of hours. Such multi-homing demonstrates that the availability of data to one platform does not decrease its availability to other platforms. User data also has a near-zero marginal cost of production and distribution. The only restriction on consumers’ ability to multi-home is the time available to them.<sup>112</sup>
- f. There are a host of third-party sources that make vast quantities of data — including data relevant to advertising such as consumer demographics, location and interests — available for purchase or licensing. These include providers such as Acxiom, Oracle Data Cloud, Quantum, Epsilon, Equifax, Experian, Nielsen and Merkle. These third-party datasets include considerable amounts of detailed data on consumers’ behaviour.<sup>113</sup> Many companies also aggregate data they collect to sell to clients. For example, high street banks in Australia sell aggregated transaction data to their clients.<sup>114</sup>
- g. Likewise, companies can readily obtain equivalent data directly from consumers by offering attractive services that people want to use. The high degree of multi-homing by consumers means multiple platforms and services often have access to the same types of data from consumers.

***Greater amounts of data do not alone result in more effective targeting***

- h. As set out in Professor Tucker’s report: “by itself big data is not inherently valuable. What is valuable is the ability to make the right inferences based on the data that a firm has access to”.<sup>115</sup>
- i. Indeed, evidence shows that economies of scale and scope from data quickly diminish such that a market participant possessing a greater amount of data does not necessarily enjoy a competitive

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<sup>110</sup> See <https://www.forbes.com/sites/michaelkanellos/2016/03/03/152000-smart-devices-every-minute-in-2025-idc-outlines-the-future-of-smart-things/#775356384b63>

<sup>111</sup> Axios, Steve LeVine, How Old Tech Could Roar Back, 26 February 2018: <https://www.axios.com/big-tech-new-rivals-old-tech-ibm-uber-facebook-1519609801-80daea23-cee2-44bf-ad54-f65336a996c2.html>.

<sup>112</sup> Anja Lambrecht & Catherine.E.Tucker, Can Big Data Protect a Firm from Competition?: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2705530](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705530).

<sup>113</sup> See, for example, the Acxiom Data description at: [https://www.acxiom.com/wpcontent/uploads/2019/02/Acxiom\\_Data\\_Overview\\_2019\\_02.pdf](https://www.acxiom.com/wpcontent/uploads/2019/02/Acxiom_Data_Overview_2019_02.pdf) p.2: “Our broad portfolio of offerings enable people-based engagements everywhere across a wide spectrum of use cases, from simple to very sophisticated. Acxiom’s full scope of data and insights covers the globe with reach of 2.5 billion addressable consumers across APAC, EMEA and the Americas overall.”

<sup>114</sup> Fernyhough, James, ‘Big banks earn cash from selling data about your spending,’ The New Daily, 6 April 2018, available at: <https://thenewdaily.com.au/money/finance-news/2018/04/06/big-banks-sell-data-customer-spending-habits>

<sup>115</sup> See Professor Catherine Tucker Report, page 42.



advantage proportionate to the data it possesses (if it possesses any advantages at all). This is demonstrated by the fact that:<sup>116</sup>

- i. data often offers overlapping insights and a firm can get similar insights more efficiently from a fraction of the full dataset.<sup>117</sup> Data accrued on social media websites, for example, is often repetitive across time and platforms. It is therefore unlikely to continue to provide a material increment for targeting ads or offering new services;
- ii. it is the ability to analyse critical data (rather than the quantity of data) which can most effectively identify a customer's preference. For example, Professors Anja Lambrecht and Catherine Tucker point out that to predict preferences for movies, ten movie ratings alone are more helpful than extensive metadata;<sup>118</sup> and
- iii. technological developments have rendered tools for gathering data commonplace. Cloud-based resources, reduced data storage costs and the availability of technologies to analyse large datasets mean that smaller firms have greater access to powerful and inexpensive data resources than ever before.<sup>119</sup>

***Access to user data is neither necessary nor sufficient to ensure entry, growth and success in digital advertising***

- j. Data is not necessary for entry. Neither Facebook nor platforms such as Amazon, Microsoft, Google, Spotify, Netflix and Uber had access to significant amounts of data at the time of their launch. The same is also true for more recent entrants, such as Trivago, TikTok, Snapchat, Pinterest and Houseparty.
- k. The rapid growth of new entrants, who did not have access to significant amounts of data at the time of their launch, clearly demonstrates that data is not necessary to enter and succeed in the advertising market. The key ingredient for successful new entry is in fact an innovative and attractive idea that is differentiated from existing offerings.
- l. As Professor Tucker observes, rather than more data being the answer, advertising services succeed by developing ways to match advertisers to users who are more likely to be paying attention, directly targeting those users who may be interested in their products, and presenting relevant advertising in an unobtrusive manner. Recent entrants that have succeeded in offering a valuable service and capturing user engagement have acquired data from users as a natural consequence of this success.

## **6. Conclusion**

- a. We operate in a highly competitive and dynamic environment, and face intense competition from established players and newer entrants.

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<sup>116</sup> Anja Lambrecht & Catherine.E.Tucker, Can Big Data Protect a Firm from Competition?, December 2015: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2705530](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705530).

<sup>117</sup> The Journal of Economic Perspectives – Volume 28, Number 2, Spring 2014, pp. 3-28, Varian, H. R. (2014). Big data: New tricks for econometrics: <https://pubs.aeaweb.org/doi/pdf/10.1257/jep.28.2>.

<sup>118</sup> Anja Lambrecht & Catherine.E.Tucker, Can Big Data Protect a Firm from Competition?, December 2015: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2705530](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705530)

<sup>119</sup> Anja Lambrecht & Catherine.E.Tucker, Can Big Data Protect a Firm from Competition?, December 2015: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2705530](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705530)

- b. We seek to provide advertisers with easy-to-use, affordable and transparent advertising solutions, primarily to deliver relevant ads to users on our owned and operated platforms. Our advertising services have substantially benefited businesses of all sizes (including SMBs), enabling them to advertise more efficiently and effectively.
- c. We play only a limited role in the ad tech stack and represent one of a large number of companies that has a role in the diverse and expanding global media ecosystem.
- d. We look forward to assisting the ACCC further during the course of this Inquiry.