GOOGLE AUSTRALIA PTY LTD

AD TECH INQUIRY

SUBMISSION IN RESPONSE TO THE ACCC'S ISSUES PAPER

1 MAY 2020

Google welcomes the opportunity to offer comments on the direction of the Ad Tech Inquiry ("ATI"), as expressed in the ATI Issues Paper ("Issues Paper"). A healthy digital advertising ecosystem is important both to our business and the Australian economy. While most Australians are likely familiar with seeing digital ads when browsing online, they may be less familiar with the advertising technology services ("ad tech") that are used behind the scenes to facilitate the purchase and sale of digital display ads. The ATI presents a welcome opportunity to enhance understanding of this sector of the economy.

To assist in this inquiry, Google makes this submission to provide additional context on the ad tech sector and the role Google plays in keeping this marketplace open and competitive. Google hopes that the ACCC will find this information helpful as it examines the key issues set forth in the Issues Paper. Over the remainder of the ATI, we look forward to engaging productively with the ACCC in greater depth concerning the facts about ad tech and Google's role in the space.

1. Introduction

The proliferation of websites, mobile applications ("apps"), and online services; increased access to the Internet via various types of devices (including smartphones); and improved Internet speeds have all led to a dramatic increase in the supply of advertising inventory. Digital advertising in turn supports many of those websites, mobile apps, and other online services in Australia. Today, businesses can reach the same consumers not only on TV, radio, in print, and on out-of-home channels such as billboards, but also via email, SMS text, millions of websites and mobile apps, music and video streaming services, and podcasts.

An open ad-supported Internet benefits all stakeholders. Users benefit from countless innovative ad-funded online services that are often offered free of charge. Website and mobile app developers (collectively referred to as "publishers") benefit from the ability to monetise and thus fund their content and online services. Advertisers benefit from the enhanced opportunities to reach the right audiences, deliver more relevant ads, and generate higher returns on ad spend. Ad tech facilitates this.

When a user browses a website or uses a mobile app, ad tech works in the background to facilitate the display of ads shown to that user in the milliseconds that it takes a website or app to load. Ad tech was developed to automate such ad placement and solve the practical and technological challenges of connecting numerous advertisers with the ever-expanding digital real estate on which to advertise. It has evolved to help advertisers reach their desired target audience on the Internet and optimise their return on ad spend, and to help digital publishers increase competition for their ad space and maximise revenue from the sale of that ad space.

Ad tech has been marked by constant innovation since the first banner ad was placed on a website in 1994,[1] driven by the evolving needs of advertisers and publishers. The Issues Paper

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[1] Brian Morrissey, *How the Banner Ad Was Born*, Digiday (12 April 2013), https://digiday.com/marketing/how-the-banner-ad-was-born/.

identifies several different ad tech services, including publisher ad servers, supply-side platforms ("SSPs") and ad exchanges, ad networks, demand-side platforms ("DSPs"), advertiser ad servers, and data services providers. These historically emerged as distinct services, but the distinctions between them have become increasingly blurred. In particular, the intermediated open auctions that are identified as a key focus of the Issues Paper[2] have experienced substantial change over time as Google and various other ad tech providers have competed to innovate auction solutions to the benefit of publishers and advertisers alike. Further, ad tech services continue to evolve to adjust to changes in the wider digital advertising landscape. Different advertising formats, different types of media, and different preferences on how to buy media continue to converge and emerge, while at the same time industry participants face new constraints due to an increased awareness of, and focus on, consumer privacy and data security.

Advertisers, ad agencies, and publishers use multiple pathways to transact with each other that may involve one or more of the ad tech services identified in the Issues Paper. In our experience, advertisers and ad agencies buy across direct and intermediated channels, and across different ad formats, depending on which generates the greatest returns. In fact, most online ad spend does not rely on intermediated open auctions offered by third-party ad tech providers. Rather, the majority of online ad spend is through direct arrangements that utilise ad tech services to varying degrees. Overall, in Australia, direct transactions account for a significantly greater proportion of advertisers' online ad spend than intermediated open auctions.[3]

Such direct transactions can take place in a variety of ways. For example, advertisers or ad agencies and publishers may contract directly, using ad tech simply to place the ads on the publisher's website. Alternatively, advertisers or ad agencies may employ the programmatic

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[2] Issues Paper, pp20-21.

[3] As noted above, intermediated open actions are identified as a key focus of the Issues Paper. However, the Interactive Advertising Bureau ("IAB") estimates that, in 2019, at least 71% of general display advertising on content publishers' inventory in Australia was bought through direct arrangements and did not rely on intermediated open auctions to broker the transactions. Specifically, IAB estimates that 47% of display advertising on content publishers' inventory in Australia was transacted through "Agency (via IO)"; 17% through "Direct"; 7% through "Programmatic (Guaranteed)"; and 29% through "Programmatic (RTB/PMP)". Even assuming that the "Programmatic (RTB/PMP)" category only consists of intermediated open auctions (which is unlikely, since the category label suggests that it includes not only intermediated open auctions but also inventory transacted through private marketplaces), direct transactions account for a much higher share (71%) than those transacted through intermediated open auctions (29%). *See IAB Australia Online Advertising Expenditure Report For the Calendar Year and Quarter Ended 31 December 2019*, IAB Australia. *See also US: Direct and Private Marketplaces Take Increasing Share of Programmatic*, eMarketer (16 October 2018), https://www.emarketer.com/newsroom/index.php/us-direct-and-private-marketplaces-take-increasing-share-of-programmatic/ ("eMarketer estimates that by 2020, more than four of every five dollars US advertisers invest in programmatic advertising will go to either programmatic direct deals or private marketplaces (PMPs)—not the open markets.").

infrastructure offered by third-party ad tech providers to buy display advertisements (e.g., programmatic guaranteed and private marketplaces ("PMP")).

In addition, many publishers sell ad inventory on their website properties and apps directly to advertisers and ad agencies not only through their sales teams but also through what the Issues Paper refers to as "self-service interfaces",[4] without using any third-party ad tech intermediaries. This is the case for popular Internet websites and mobile apps, such as Amazon, Facebook, Gumtree,[5] Microsoft's LinkedIn, Pinterest, Reddit, Snapchat, TikTok, Tripadvisor,[6] Twitter, and Verizon's Yahoo!. Several news publishers, such as News Corp,[7] Nine (which now includes the Fairfax brands and Nine broadcasting network),[8] and Ten,[9] have similar self-service interfaces. Ad sales transacted in this manner are all programmatic ad sales that are facilitated through internal ad tech capabilities.

For each of the ad tech services identified in the Issues Paper, advertisers and publishers can turn to many different ad tech providers. As discussed in this submission, there are various ad tech providers with different business models. Some are specialised providers, focused only on particular ad tech services, while others offer a suite of ad tech services to both advertisers and publishers. Like Google, a number of these providers offer ad tech services both to sell their owned and operated ad inventory, and to facilitate the purchase and sale of ad inventory of third-party publishers. This competitive environment spurs innovation and gives advertisers and publishers a wide range of options.

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[4] Issues Paper, p8.

[5] GumtreeMedia, https://www.gumtreemedia.com.au/.

[6] *TripAdvisor Launches its First Self-Serve Advertising Platform*, TripAdvisor Media Center (20 November 2019), https://tripadvisor.mediaroom.com/2019-11-20-TripAdvisor-Launches-its-First-Self-Serve-Advertising-Platform ("TripAdvisor®, the world's largest travel platform, today launched TripAdvisor Media Manager – a self-serve platform that empowers small and medium sized businesses and agencies to control their own cross-platform advertising campaigns on TripAdvisor.").

[7] *News Corp Launches News IQ*, News Corp (5 December 2017), https://newscorp.com/2017/12/05/news-corp-launches-news-iq/ ("News Corp announced today the launch of News IQ, a new advertising platform with an audience of over 140 million in the United States. . . . News IQ will give brands a new way of reaching News Corp's sophisticated audiences in a safe, trusted environment to achieve precise and measurable results.").

[8] Vanessa Mitchell, *Nine launches self-serve platform for TV advertising, 9Voyager*, CMO (1 July 2019), https://www.cmo.com.au/article/663474/nine-launches-self-serve-platform-tv-advertising-9voyager/ ("Nine announced the launch of 9Voyager . . .. The self-serve automated buying platform has been built by Nine using proprietary technology to allow business owners of all sizes to access the power of television as an engine for sales and growth.").

[9] Hannah Blackiston, *Ten relaunches Buy 10 and self-serve ad-buying platform*, Mumbrella (10 October 2019), https://mumbrella.com.au/ten-relaunches-buy-10-and-self-serve-ad-buying-platform-601705 ("The network is also bringing back its Buy 10 platform which will allow dynamic advertising across Ten's entire ecosystem . . . The aim is to simplify the buying experience with Ten, and in 2020 the launch of Buy 10 You will allow small to medium businesses to self-serve and buy advertising on Ten.").

2.   Google's Ad Tech Business

Most of Google's ad revenue comes from selling ad inventory on our owned and operated properties, principally Search. Providing ad tech services to third-parties represents a relatively small part of our business, accounting for a single-digit percentage of Google's advertising revenues net of Traffic Acquisition Costs.[10] We nonetheless invest substantially in ad tech because keeping our ad tech business competitive and innovative helps contribute to an ad-supported open Internet, which is important to the continued success of Google Search.

Overview of Google's Ad Tech Products

Google offers publishers several ad tech products, including AdMob, AdSense, and Google Ad Manager ("GAM"). GAM helps publishers manage the sale of the ad space on their web properties, mobile apps, and within streaming video. Like many such products in the marketplace, GAM includes ad serving and auction features. Publishers can opt to use GAM's ad serving and auction features either in conjunction with one another or separately. GAM also enables publishers to sell their ad inventory through both Google's platforms and competing platforms. Many different ad buyers are able to buy through the GAM auction, including third-party DSPs, third-party ad networks, third-party SSPs, as well as Google's own buying platforms described below.

The AdMob and AdSense products also enable app developers and web publishers, respectively, to sell ad inventory on their properties through an auction process. Like GAM, AdMob and AdSense enable publishers to sell their inventory through both Google's and competitors' platforms. AdMob and AdSense provide simple and easy-to-use tools that enable smaller publishers and developers to earn ad revenue in a straightforward way, which in turn helps maintain a diverse and healthy ecosystem.

Google likewise offers advertisers several ad tech products, including Google Ads and the Google Marketing Platform ("GMP") suite, which in turn includes products such as Display & Video 360 ("DV360"), and Campaign Manager. Google Ads and DV360 help advertisers buy ad inventory on Google's owned and operated properties and on third-party websites, mobile apps, and within streaming video. Campaign Manager helps advertisers manage their ad campaigns across the Internet, including serving ads and monitoring ad performance. These products enable advertisers to buy, serve, and measure the performance of ads across different sources of ad inventory, including ad inventory sold through ad auctions operated by competitors of

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[10] Calculated as "Google Network Members' properties revenue" (p27) minus associated Traffic Acquisition Costs to Google Network Members (p32), which is then divided by "Google advertising revenues" (p27) minus total Traffic Acquisition Costs (p32). Traffic Acquisition Costs represents the amounts paid to Google Network Members primarily for ads displayed on their properties and amounts paid to Google's distribution partners who make available our search access points and services (p51). *Alphabet Inc., Annual Report (Form 10-K)* (2018), pp27, 32, and 51, within Revenues, Cost of Revenues, and Notes to Consolidated Financial Statements, https://abc.xyz/investor/static/pdf/20180204_alphabet_10K.pdf?cache=11336e3.

Google. As with publishers and GAM, advertisers can use the GMP products together or in tandem with third-party products.

Google's Ad Tech Services Have Delivered Considerable Value for Publishers and Advertisers

When a publisher chooses to use Google's ad tech to monetise either all or some of the display advertising inventory on their website, Google shares with publishers more than 70% of the revenue generated from ads shown on websites. This amounted to more than US$14 billion globally in 2018, up from US$10 billion in 2015.[11]

Google continues to invest in improving our ad tech products for the benefit of publishers and advertisers, because this in turn makes our offering more attractive and competitive. Google has received positive feedback from publishers that our investments in our ad tech products have improved performance, ease of use, seamlessness, consistency, and scalability, as well as interoperability with third-party products.[12] For example, in the past year, Google made nearly 80 optimisations to GAM aimed at improving publisher revenue. Advertisers likewise have favourably referenced our ad tech products for their speed, efficiency, protection against ad fraud, and for providing a range of tools that can be easily integrated to create targeted products that increase year-over-year revenues, by 72% for one marketer.[13]

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[11] Alphabet Inc., Annual Report (Form 10-K) (2018), p32, within Cost of Revenues, https://abc.xyz/investor/static/pdf/20180204_alphabet_10K.pdf?cache=11336e3; Alphabet Inc., Annual Report (Form 10-K) (2015), p31, within Cost of Revenues, https://abc.xyz/investor/static/pdf/20151231_alphabet_10K.pdf?cache=5400095.

[12] *See, e.g., The SpaceStation and 24.com increase eCPM by up to 100% through Exchange Bidding,* Google Ad Manager, https://admanager.google.com/home/resources/video-spacestation-24-exchange-bidding/; *Growing engagement with native ads: The New York Times' approach*, Google Ad Manager, https://admanager.google.com/home/resources/new-york-times-native-ads-case-study/; *VICE Media boosts revenue on more than 500 websites with Exchange Bidding*, Google Ad Manager, https://admanager.google.com/home/resources/vice-media-boosts-revenue-on-500-websites-exchange-bidding/.

[13] *See, e.g.*, *Australia's Qantas uses Display & Video 360 to reach frequent flyers with relevant ads,* Google Marketing Platform, https://marketingplatform.google.com/about/resources/qantas-reaches-frequent-flyers-relevant-ads/; *Google Analytics 360 and BigQuery improve efficiency and insights for Skyscanner,* Google Marketing Platform, https://marketingplatform.google.com/about/resources/skyscanner-improves-efficiency-and-insights-analytics-360-bigquery/; *Moncler hits 72% rise in revenue with Google Marketing Platform's full stack digital marketing solution*, Google Marketing Platform, https://marketingplatform.google.com/about/resources/moncler-hits-rise-in-revenue-with-the-google-marketing-platform-full-stack-digital-marketing-solution/; Payam Shodjai, *Working with the industry towards a fraud-free media supply chain*, Google Marketing Platform (21 September 2017), https://www.blog.google/products/marketingplatform/360/working-with-industry-towards-fraud_21/.

Our Efforts to Promote a Competitive and Open Ad Tech Ecosystem

Preserving a vibrant and competitive ad tech ecosystem is important to Google to support an open ad-supported Internet. Google has made significant efforts and investments in innovation and promotion of a healthy ad tech ecosystem, and always tries to do so in a way that balances the interests of users, advertisers, and publishers. For example, Google has:

● Prioritised interoperability in the design of our ad tech products to enable them to work with third-party products. For example, DV360 enables bidding on more than 80 third-party ad exchanges.[14] GAM can be used by publishers to call any third-party vendor that provides an appropriate ad tag,[15] and it collects bids from hundreds of different third-party platforms and networks.[16] Mobile app publishers can use the mediation features offered in GAM or AdMob, which are offered free of charge, to sell ad space in their apps through more than 30 officially supported third-party ad networks.[17] Such investments in the interoperable capability of our products have been necessary to stay competitive given customer demand to utilise ad tech products from a range of providers.

● Invested in and developed privacy-enhanced measurement solutions, such as Ads Data Hub,[18] so we can continue to provide advertisers, agencies, and our measurement partners with relevant information, while respecting user demand for greater privacy protection.

● Developed several major innovations in auction technology as the industry evolved over time, including Dynamic Allocation,[19] Exchange Bidding (now called Open Bidding)[20] and

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[14] *Supported Display Exchanges*, Google Display & Video 360 Help, https://support.google.com/displayvideo/table/3267029?hl=en&ref_topic=3224955.

[15] *Line Item Types and Priorities*, Google Ad Manager Help, https://support.google.com/admanager/answer/177279?hl=en ("Any third-party ad network or exchange that provides an appropriate ad tag can be represented by a non-guaranteed line item that competes based on a price that you enter into Ad Manager—for example, this is how header bidding can be configured.").

[16] *See Ad Manager Certified External Vendors*, Google Third-Party Ad Serving Certifications, https://developers.google.com/third-party-ads/adx-vendors; *Learn the Basics: Introduction to Open Bidding*, Google Ad Manager Help, https://support.google.com/admanager/answer/7128453?hl=en.

[17] *See Mediation*, Google AdMob, https://developers.google.com/admob/android/mediate.

[18] Google's Ads Data Hub is a cloud-based measurement and activation solution that provides advertisers, agencies, and third-party vendors access to detailed event-level data about Google ad campaigns in a privacy-centric environment. With Ads Data Hub, advertisers and agencies can upload their first-party data into BigQuery and join it with Google's event-level ad campaign data. Combining their data with Google's event data can unlock insights, improve advertising efficiency, help them achieve data-driven business goals, and yield more effective campaign optimisation. Results from Ads Data Hub are aggregated over a group of users, which allows Google to provide more complete data and still maintain end-user privacy. *See* Home, Google Ads Data Hub, https://developers.google.com/ads-data-hub.

[19] *Dynamic allocation*: https://support.google.com/admanager/answer/3721872?hl=en. Dynamic Allocation was initially developed by DoubleClick in 2007, prior to its acquisition by Google, and was later enhanced by Google in 2014.

most recently, a unified first-price auction in GAM to simplify and improve the experience for our customers.[21] In the GAM auction, all sources of advertiser demand compete in a single, unified auction, in which no auction participant receives information about any other party's bids prior to completion of the auction.

- Acted as a key participant in industry initiatives to foster the long-term viability of an ad-supported digital advertising ecosystem.[22] For example, Google worked with the Coalition for Better Ads to develop its Better Ads Standards for browsers to identify ad formats that significantly diminish user experience. The Coalition was formed in response to a recognition that the increased adoption of browser-based ad blocking software by consumers was related to poor user experiences online. Research conducted by multiple members of the Coalition (including Google) showed that certain types of unpleasant ad experiences were the leading drivers of poor user experiences. Google also co-authored and led industry adoption of the Interactive Advertising Bureau's ads.txt and app-ads.txt specifications,[23] which were aimed at increasing trust and transparency in programmatic advertising by allowing publishers to designate authorised sellers of their inventory.

- Developed effective tools to combat invalid traffic ("IVT") and actively engaged in various industry bodies to address IVT and ad fraud. For example, Google's services have ad fraud defences built into them, including automated real time (pre-bid) and after-the-fact (post-serve) filters, which are constantly being updated and react to a wide variety of traffic patterns and other indications of IVT. Google is also part of the Trustworthy Accountability Group ("TAG") Certified Against Fraud programme.[24] As part of Google's participation in the TAG, we actively support the Media Rating Council ("MRC") and its anti-IVT accreditation process. Google regularly submits our IVT defences to third-party audits to maintain our MRC accreditations and works closely with TAG in developing and maintaining the TAG data centre IP ("DCIP") list.

[20] *Learn the Basics: Introduction to Open Bidding*, *supra* note 16.
[21] Jason Bigler, *An update on first price auctions for Google Ad Manager*, Google Ad Manager (10 May 2019), https://www.blog.google/products/admanager/update-first-price-auctions-google-ad-manager/.
[22] *See, e.g.*, Scott Spencer, *An advertising ecosystem that works for everyone*, Google The Keyword (14 March 2018), https://blog.google/technology/ads/advertising-ecosystem-works-everyone/; Scott Spencer, *Enabling a safe digital advertising ecosystem*, Google The Keyword (14 March 2019), https://www.blog.google/products/ads/enabling-safe-digital-advertising-ecosystem/.
[23] *Ads.txt - Authorized Digital Sellers*, IAB Tech Lab, https://iabtechlab.com/ads-txt/; *IAB Tech Lab Ads.txt Specification Version 1.0.1*, IAB Tech Lab (September 2017), https://iabtechlab.com/wp-content/uploads/2017/09/IABOpenRTB_Ads.txt_Public_Spec_V1-0-1.pdf; *IAB Tech Lab Authorized Sellers for Apps (app-ads.txt), Final specification version 1.0*, IAB Tech Lab (March 2019), https://iabtechlab.com/wp-content/uploads/2019/03/app-ads.txt-v1.0-final-.pdf.
[24] *About the TAG Certified Against Fraud Program,* Trustworthy Accountability Group, https://www.tagtoday.net/certified-against-fraud-program/.

3.   Dynamic Competition in Ad Tech

The Issues Paper sets forth as a key inquiry "the intensity of competition and the efficiency of markets for ad tech services and ad agency services."[25] The Australian ad tech space is dynamic and highly competitive. Publishers and advertisers alike have many options, ranging from companies with a variety of products across the "ad tech stack" to innovative "point players". The space is characterised by frequent entry and expansion; and the rise of mobile and digital video advertising has created further competitive pressure on Google and other ad tech providers, as has customer demand for interoperability. Customers often use their in-house capabilities rather than third-party ad tech services and use multiple vendors for the same intermediation ad tech products (a practice called "multi-homing"). The prevalence of insourcing and multi-homing, as well as other dynamics, keeps ad tech innovative and competitive.

In Google's experience, ad tech service providers both globally and in Australia vigorously compete on price, as well as on a variety of non-price factors, including the extent and quality of third-party integrations, access to third-party inventory, enhanced management and servicing, creative ad targeting capabilities, and ultimately the return and yield they provide for advertisers and publishers, respectively.

This section briefly describes the dynamic competition Google encounters in this industry.

Google Competes With a Large Number of Ad Tech Providers in Australia

Ad tech providers in Australia are many and diverse. In addition to Google, they include:

- Participants that are vertically integrated along multiple parts of the ad tech stack, such as Adobe, Amazon, AT&T/Xandr, and Verizon Media. Adobe, in particular, after acquiring popular DSP TubeMogul in 2017 and cloud-based marketing platform Marketo in 2018,[26] now offers Australian customers a suite of tools including Advertising Cloud, Analytics, Audience Manager, Campaign, Experience Manager, Magento Commerce Cloud, and Marketo Engage.[27]

- Participants that sell their owned and operated ad inventory alongside ad tech products that facilitate the sale and purchase of third-party ad inventory, such as Amazon, AT&T, Facebook, Twitter, and Verizon Media.

- Successful and innovative "point players" that specialise in particular aspects of ad tech, such as Adroll, Amobee, Big Mobile, Bonzai, Criteo, Flashtalking, Index Exchange, Innovid, ironSource, MediaMath, Playground XYZ, PubMatic, Publift, Taboola (which recently announced its merger with Outbrain), Telaria (which recently merged with Rubicon Project), The Trade Desk, Triplelift, Triton, and specialist data management

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[25] Issues Paper, p15.
[26] Paige Murphy, *The adtech and martech divide is no more*, Ad News (1 July 2019), https://www.adnews.com.au/news/the-adtech-and-martech-divide-is-no-more.
[27] *Adobe*, https://www.adobe.com/au.

platform ("DMP") and analytics providers including Chartbeat, Oracle, SAS, Snowflake/Snowplow, and Webtrends. The Trade Desk is a notably strong competitor. It is the "fastest growing demand-side platform in the industry,"[28] with revenue of US$661m for the year ended 31 December 2019.[29] The Trade Desk continues its growth in Australia, focusing on connected TV ("CTV"),[30] and strengthening partnerships with mobile video platform TikTok[31] and analytics provider SambaTV.[32] Playground XYZ is a locally based ad tech player with its own programmatic mobile marketplace, The Playground Private Exchange. It was named 8th in Deloitte's 2019 Technology Fast 50 winners report, which noted its rapid growth of 678%.[33] Playground XYZ counts Woolworths, Telstra, and the Commonwealth Bank amongst its Australian advertiser client base.[34]

● There has also been significant entry and expansion, including in Australia, by well known companies, such as Amazon, AT&T, and Microsoft (which launched its new ad network Microsoft Audience Network in 2018).[35] Amazon, in particular, stands to increase its presence substantially in the Australian ad tech landscape,[36] as they have done in other regions.[37] Other recent entrants include Singapore-based ad tech company Adzymic, which expanded into Australia in May 2019,[38] and CtrlShift, which launched in Australia in March 2019.[39]

[28] *About Us*, Trade Desk, https://www.thetradedesk.com/careers/about-us.

[29] The Trade Desk, Inc., Annual Report (Form 10-K) (2019), p36, http://investors.thetradedesk.com/static-files/18cab3bf-2487-488b-81bc-c4e9bbbb0645.

[30] Brittney Rigby, *The Trade Desk nabs Seven's James Bayes to lead ANZ operations*, Mumbrella (20 January 2020), https://mumbrella.com.au/the-trade-desk-nabs-sevens-james-bayes-to-lead-anz-operations-613699.

[31] Robert Williams, *TikTok opens programmatic ad inventory to Trade Desk in Asia-Pacific countries*, Mobile Marketer (20 March 2020), https://www.mobilemarketer.com/news/tiktok-opens-programmatic-ad-inventory-to-trade-desk-in-asia-pacific-countr/574517/.

[32] Paige Murphy, *The Trade Desk expands Samba TV partnership to Australia*, AdNews (19 March 2020), https://www.adnews.com.au/news/the-trade-desk-expands-samba-tv-partnership-to-australia.

[33] *Technology Fast 50 Winners Report*, Deloitte (2019), https://www2.deloitte.com/content/dam/Deloitte/au/Documents/technology-media-telecommunications/deloitte-au-tmt-tech-fast-50-2019-winners-report-20112019.pdf.

[34] *Our Story*, Playground XYZ, https://playground.xyz/our-story/.

[35] Greg Sterling, *Microsoft launches new audience network, 'Audience Ads' at Bing Partner Summit*, Search Engine Land (4 May 2018), https://searchengineland.com/microsoft-launches-new-audience-network-audience-ads-at-bing-partner-summit-297336.

[36] Paul Wallbank, *Amazon Advertising announces official Australian launch*, Mumbrella (10 April 2019), https://mumbrella.com.au/amazon-advertising-announces-official-australian-launch-574160.

[37] *Amazon Advertising 2019,* eMarketer (7 November 2019), https://www.emarketer.com/content/amazon-advertising-2019.

[38] *Adzymic expands into Australia, inks partnership with Allegiant Media*, Adzymic (14 May 2019), http://www.adzymic.co/blog/adzymic-expands-into-australia-inks-partnership-with-allegiant-media.

[39] *CtrlShift accelerates expansion in ANZ following local client wins*, CtrlShift (21 August 2019), https://ctrlshift.com/ctrlshift-accelerates-expansion-australia-new-zealand/.

Mobile Has Driven Significant Growth in Ad Tech

Mobile has become a significant source of disruptive change and growth in ad tech, including in Australia. It has given rise to a whole new set of ad tech competitors and affected the competitive structure of ad tech. As mobile users increasingly access the Internet via mobile apps, the focus of mobile ad spend in Australia has shifted from more traditional web-based ads (e.g., mobile web ads) to mobile in-app ads.[40] This trend has further increased competition for players like Google whose ad tech products historically have been focused on web-based ads, compared to mobile app ads.

In 2019, mobile ad spend in Australia was approximately $5.0 billion,[41] a 19.7% increase from 2018,[42] representing 25% of all ad spend in Australia.[43] Mirroring regional and global trends, the Australian mobile segment is expected to continue its growth with the rollout of the 5G mobile network and faster data speeds. Currently, mobile commands the majority share of general display advertising in Australia, representing 67% of this category.[44] Mobile is predicted to account for 73% of all digital ad spend in Australia by 2023.[45] The shift has forced existing advertisers and publishers to adapt and innovate their ad formats to stay relevant in mobile and has invited countless new publishers into the marketplace, namely app developers.

Video advertising has become the fastest growing mobile ad format. According to PubMatic, in-app video ad spend in APAC increased by 50% in the fourth quarter of 2019.[46] Mobile video advertising therefore has attracted significant investments from a host of companies in Australia. For example, following its merger with Rubicon Project, Telaria (a software platform that optimises yield for leading video publishers), is poised to capture projected growth in mobile, video, and CTV having established the world's largest independent sell-side advertising platform,[47] "with scale, capabilities and solutions unmatched by the competition" across

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[40] *Mobile Programmatic Ad Spending Share, In-App vs. Mobile Web, Australia, Q4 2016-Q4 2017*, eMarketer, https://www.emarketer.com/performance/channel/5a04b768f45a9a0d20adae32/59f70b22bfce890eb411fdec (showing that, in Q4 2017, 95% of Australian mobile programmatic ad spending served via Smaato's platform was for in-app advertising, while the remaining 5% was for mobile web).

[41] *IAB Australia Online Advertising Expenditure Report For the Calendar Year and Quarter Ended 31 December 2019*, IAB Australia.

[42] *Id.*

[43] *Australian Mobile Landscape Report - July 2019*, IAB Australia (23 July 2019), https://www.iabaustralia.com.au/research-and-resources/research-resources/item/12-research-and-resource/2784-australian-mobile-landscape-report-2019.

[44] *IAB Australia Online Advertising Expenditure Report For the Calendar Year and Quarter Ended 31 December 2019*, IAB Australia.

[45] *Australia Mobile Ad Spending*, eMarketer (11 February 2020).

[46] *Quarterly Mobile Index - Q4 2019*, Pubmatic, https://pubmatic.com/reports/pubmatic-quarterly-mobile-index-qmi-q4-2019/.

[47] *Rubicon Project and Telaria Complete Merger Following Stockholder Approvals,* Rubicon Project Press Release (1 April 2020), https://rubiconproject.com/insights/press-releases/rubicon-project-and-telaria-complete-merger/.

formats.[48] The Trade Desk recently entered into a partnership with highly popular video mobile app TikTok.[49] This integration will provide The Trade Desk with access to TikTok's ad inventory in the APAC region, potentially reaching millions of consumers, and will make it easier for advertisers to incorporate TikTok into their campaigns.[50] AT&T's advertising business unit Xandr, following AT&T's acquisition of AppNexus and Time Warner, is aiming to become a "first-mover on new capabilities, helping to drive efficiency of marketing spend and better engage consumers across channels."[51] Further, ad tech company PubMatic recently announced plans to expand its global headcount by over 20%,[52] and bolstered its Australian team with the aim of continuing its growth in mobile and video monetisation.[53] It also partnered with programmatic creative management platform Bonzai to enable advertisers to buy "rich media" advertising[54] at scale across Australia and New Zealand.[55] In Australia, Bonzai is used to power ad formats for publishers including Nine Publishing and News Corp.[56] Amobee has also invested in video advertising via recent strategic acquisitions, including DSP and DMP Turn in 2017,[57] software provider for CTV and video advertising Videology in 2018,[58] and its own strategic horizontal recruitments.[59]

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[48] President and CEO of Rubicon Project, Michael Barrett, as quoted in *Rubicon Project and Telaria agree to combine to form Largest Independent Sell-Side Advertising Platform, Poised to Capture Growth in Connected TV*, Rubicon Project (19 December 2019), https://rubiconproject.com/insights/press-releases/rubicon-project-and-telaria-agree-to-combine-to-form-largest-independent-sell-side-advertising-platform-poised-to-capture-growth-in-connected-tv/.

[49] Paige Murphy, *The Trade Desk launches advertising partnership with TikTok in APAC*, AdNews (19 March 2020), https://www.adnews.com.au/news/the-trade-desk-launches-advertising-partnership-with-tiktok-in-apac.

[50] *Id.*

[51] *AT&T Consolidates its Open Programmatic Spend on the AppNexus DSP*, AT&T (11 February 2019), https://about.att.com/story/2019/att_consolidates_programmatic_spend_on_appnexus_dsp.html.

[52] *PubMatic Doubles Down on Mobile and In-App Video for Publishers, Releasing Key Growth Numbers for 2019,* PubMatic, (23 January 2019), https://pubmatic.com/news/mobile-in-app-video-2019-growth-numbers/.

[53] Josh McDonnell, *PubMatic touts 2018 revenue growth, bolsters Australian team*, Ad News (25 January 2019), https://www.adnews.com.au/news/pubmatic-touts-2018-revenue-growth-bolsters-australian-team.

[54] Ads that include advanced features such as video and audio encouraging viewer interaction.

[55] *PubMatic and Bonzai Partner on Rich Media in Australia and New Zealand*, PubMatic Press Release, (23 August 2018), https://pubmatic.com/news/pubmatic-bonzai-partner-rich-media/.

[56] *Bonzai TrueSkin*, Nine, https://www.nineentertainmentco.com.au/ad-spec-bonzai-trueskin; *Mobile TruSkin*, News Corp Australia, https://www.newscorpaustralia.com/adspec/bonzai-truskin-mobile/.

[57] *Amobee Completes Acquisition of Turn*, Amobee (10 April 2017), https://www.amobee.com/blog/amobee-completes-acquisition-of-turn/.

[58] *Amobee Completes Acquisition of Videology, Expands Advanced TV and Video Advertising Capabilities*, Amobee (28 August 2018), https://www.amobee.com/newsroom/amobee-completes-acquisition-of-videology-expands-advanced-tv-and-video-advertising-capabilities/.

[59] *Amobee Appoints Liam Walsh as Managing Director, Australia*, PRWire, https://prwire.com.au/pr/51272/amobee-appoints-liam-walsh-as-managing-director-australia.

Mobile also has been a key success factor for a number of ad tech companies, including major players like Facebook Audience Network, a US$1 billion business,[60] Twitter's MoPub, which connects 55,000 apps to 130 DSPs and processes 1 trillion monthly app ad requests that reach 1.4 billion devices,[61] and AppNexus (now part of AT&T/Xandr). Many other mobile ad tech companies have also emerged or grown in prominence in recent years, including AppLovin/MAX, Fyber, ironSource, Unity Ads, and Australian mobile ad tech providers Big Mobile and Playground XYZ. AppLovin reaches more than 2 billion devices per month and serves more than 1 million ads through its AppDiscovery platform.[62] In 2018, AppLovin acquired MAX, an in-app bidding technology company, to provide app publishers "access to all buyers in the marketplace,"[63] which has helped app publishers increase their revenue.[64] As mentioned above, local participant Playground XYZ has experienced significant growth over a short time period in recent years.[65]

Ad Agencies Play a Significant Role in the Australian Marketplace

Ad agencies, and specifically their ad buying services, play a significant role in Australia. In 2019, almost half (49%) of general display advertising viewed on content publishers' inventory was bought by media agencies via an insertion order or non-programmatic method.[66] As for traditional media such as TV and print, ad agencies for digital media have the advantage of greater scale and access to preferential agency rates from publishers. The benefits of using ad agencies have been recognised by both the ACCC and the UK Competition and Markets Authority ("CMA"). The ACCC Digital Platforms Inquiry Final Report ("DPI Final Report") found that "[d]ue to the size of some agencies, they are more likely able to negotiate discounts and deals with publishers that would not be possible for single advertisers to achieve."[67] Similarly, the CMA noted the benefits including greater economies of scale and scope in relation to technology, expertise available to execute ad campaigns, and the ability to negotiate preferred trading arrangements, such as volume discounts and rebates, attributable to their scale.[68]

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[60] Yuyu Chen, *Industry Trade Groups Come Together For Better Ads; Facebook's Audience Network Is Going Strong*, AdExchanger (15 September 2016), https://www.adexchanger.com/ad-exchange-news/friday-09162016//; Home, Audience Network by Facebook, https://www.facebook.com/audiencenetwork.

[61] *History,* MoPub, https://www.mopub.com/company/history/.

[62] *About Us*, AppLovin, https://www.applovin.com/about/.

[63] Adam Foroughi, *AppLovin acquires MAX to bring in-app bidding to its network*, AppLovin (5 September 2018), https://blog.applovin.com/applovin-acquires-max-to-bring-in-app-header-bidding-to-its-network/.

[64] Idil Canal, *MAXing out ARPDAU: Customer Success Stories* (25 March 2020), https://blog.applovin.com/arpdau-customer-success-stories/.

[65] *Technology Fast 50 Winners Report, supra* note 33.

[66] *Online advertising continues year-on-year growth to reach $9 billion*, IAB Australia (September 2019), https://www.iabaustralia.com.au/news-and-updates/iab-press-releases/item/22-iab-press-releases/2796-online-advertising-continues-year-on-year-growth-to-reach-9-billion.

[67] DPI Final Report, p155.

[68] CMA, *Online platforms and digital advertising: market study interim report* (2019) ("CMA Interim Report"), ¶ 5.15.

Given their expertise, in addition to in-house ad tech products, ad agencies often multi-home to use multiple vendors for the same intermediation ad tech products, utilising their knowledge of different products to achieve the best outcomes for their clients.[69] In Australia, the largest media agency networks include Dentsu Aegis Network (including Carat, Vizeum, Columbus, iProspect, Amnet), Omnicom Media Group (including OMD and PHD Australia, Hearts & Science, Resolution Media), Publicis Groupe (including Starcom, Performics, Spark Foundry), IPG Mediabrands (including Universal McCann, Initiative, Cadreon, Reprise) and WPP (including GroupM, Mediacom, Xaxis, Mindshare, Wavemaker).

In addition to large, global agencies, there is a thriving ecosystem of independent media agencies in Australia who use ad tech. These include participants such as Hyland, The Media Store, Sandbox Media, Pearman Media, and Kaimera. Independent media agencies reportedly drive 25% or AU$2.5 billion worth of ad spend in Australia.[70]

Multi-Homing Intensifies Ad Tech Competition

Industry statistics indicate that it is not just ad agencies that multi-home. Advertisers and publishers also regularly multi-home and mix-and-match ad tech products from different vendors. Economist Andres V. Lerner estimates that on average advertisers use four different DSPs and that advertising agencies may use an even greater number of DSPs.[71] Multi-homing is also Google's experience. Our ad tech products are often used in addition to, or in conjunction with, competing ad tech products, including in Australia. Generally, our large Australian agency and advertiser partners use at least two DSPs, and direct buyers have access to multiple platforms. Similarly, on the sell-side, Google's experience is that almost all large Australian publishers use multiple SSPs.

Multi-homing is another factor that has contributed to ease of entry and expansion and thus intense competition.

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[69] Andres V. Lerner, *The Economics of Network Effects and User Data in the Provision of Search, Search Advertising, and Display Ad Intermediation* (15 May 2019) ("Lerner Submission"), pp7 and 10, https://www.accc.gov.au/system/files/Google%20Submission%203%20%28May%202019%29.pdf. This is an economic analysis commissioned by Google. The analysis was conducted by Dr. Andres V. Lerner, the Executive Vice President of the economics consulting firm Compass Lexecon, and was submitted to the ACCC for its consideration as part of the DPI.

[70] Brittey Rigsby, *Independent Media Agencies of Australia, new industry body for indies, launches with 20 founding members*, Mumbrella (20 February 2020), https://mumbrella.com.au/independent-media-agencies-of-australia-new-industry-body-for-indies-launches-with-20-founding-members-617963.

[71] Lerner Submission, pp7 and 49, *supra* note 69.

Fierce Competition Has Resulted in Increasing Price Pressure and Commoditisation

Third-party industry reports indicate that competition in ad tech has caused commoditisation and declining ad tech fees. For example, eMarketer reports that in the US, fees as a share of the total non-social programmatic display spending have decreased consistently since 2018 and are expected to continue decreasing.[72]

In Australia, we have observed that several services that carried a cost in the past are being commoditised and turned into "out of the box" features. For example, in video advertising, server side ad insertion was a very costly solution to implement in the past, but it now has become a built-in feature with no fees required for activation. We have also faced increasing competitive pressure from mobile advertising players whom we understand have offered customers very favourable payment terms, such as upfront payments, to secure developers' commitment to their platform and revenue guarantees.

4.　Select Questions Raised in the Issues Paper

In addition to questions about the competitiveness of the ad tech sector, the Issues Paper raises a range of questions about ad tech companies and ad agencies, as well as advertisers and publishers. We have included in this response a few initial observations about the questions raised in the Issues Paper about vertical integration, mergers and acquisitions, transparency, and data. We look forward to engaging with the ACCC to discuss these issues in greater depth over the course of the ATI.

Vertical Integration

The Issues Paper notes that the ATI will examine the impact of past mergers and acquisitions and increasing vertical integration across the ad tech supply chain, as well as potential behaviours arising from vertical integration.[73] As the ACCC has observed, Google is one of the ad tech providers that is present at more than one level of the ad tech supply chain.[74]

The ACCC, like regulators and courts in other jurisdictions, has long recognised that vertical integration typically promotes competition and often has procompetitive impacts.[75] For example,

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[72] *US Programmatic Digital Display Ad Fees, 2018-2021,* eMarketer (1 July 2019), https://www.emarketer.com/chart/229878/us-programmatic-digital-display-ad-fees-2018-2021-billions-change-of-nonsocial-programmatic-display-spending.

[73] Issues Paper, pp21-25.

[74] *Id.* p22.

[75] ACCC, Merger Guidelines 2008 (updated November 2017), 5.18-5.21 ("It is often the case that vertical mergers will promote efficiency by combining complementary assets/services which may benefit consumers . . . In the majority of cases, non-horizontal mergers will raise no competition concerns"), https://www.accc.gov.au/system/files/Merger%20guidelines%20-%20Final.PDF; *United States v. AT&T Inc.*, 310 F. Supp. 3d 161, 193 (D.D.C. 2018) ("Further complicating the Government's challenge is the recognition among academics, courts, and antitrust enforcement authorities alike that 'many vertical mergers create vertical integration efficiencies between purchasers and sellers.") (citation and quotation marks omitted),

it is well understood that vertical integration often enables and incentivises businesses to reduce their supply and distribution costs and pass those savings on to consumers. They are also often incentivised to reduce their mark-ups and accordingly charge lower prices (sometimes referred to as "eliminating double marginalisation").

Beyond lowering prices, vertical integration in ad tech can also have technologically driven benefits. For example, vertical integration in ad tech, especially between DSPs and SSPs, can create technical efficiencies, such as fewer error rates and lower latency, to the benefit of advertisers and publishers. Google's products work well together for that reason -- they share the same technical infrastructure.

Notably, in ad tech, vertical integration offers advertisers and publishers benefits, but has not led them to have to use a single provider's services. Most ad tech providers, including vertically integrated players, enable advertisers and publishers to use their products in conjunction with other providers' products. Google is no different. Our products work well together, but we also enable publishers and advertisers to use them with the ad tech products of other providers, and many advertisers and publishers do so to benefit from the different innovative features offered by various ad tech providers. As noted earlier, multi-homing and mixing-and-matching is common in ad tech, including among Google's customers.

That is why both point players and vertically integrated providers are common and compete effectively in ad tech. Google is not the only provider that offers integrated solutions. As described in Section 3 above, there are several other ad tech companies that are vertically integrated along multiple parts of the ad tech stack, including Adobe, Amazon, AT&T/Xandr, and Verizon Media. And while Google and other vertically integrated companies believe there is value in offering a broad suite of products to advertisers and publishers, players servicing even only a single part of the ad tech stack (e.g., The Trade Desk and Criteo) continue to be successful as well.

It is in Google's economic interest to foster competition in ad tech. Competition, and the product development and innovation that accompany it, ensures a vibrant, open and ad-supported Internet. It would not be in Google's interests to try to damage this dynamic by acting

https://scholar.google.com/scholar_case?case=15928607797182623748&q=310+F.+Supp.+3d+161&hl=en&as_sdt=20003; European Commission, Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings [2008] C 265/07, ¶13 (". . . vertical and conglomerate mergers provide substantial scope for efficiencies"), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52008XC1018%2803%29; The Federal Trade Commission's Hearings on Competition and Consumer Protection in the 21st Century, Vertical Mergers, Comment of the Global Antitrust Institute, Antonin Scalia Law School, George Mason University, p12 (6 September 2018) (discussing empirical research relating to the effects of vertical mergers and concluding by finding "that recent empirical evidence continues to support the proposition that vertical integration generates abundant efficiencies and is generally procompetitive."), https://gai.gmu.edu/wp-content/uploads/sites/27/2018/09/GAI-Comment-on-Vertical-Mergers.pdf.

anti-competitively, such as by limiting interoperability or foreclosing rivals.[76] Nor could it, given how competitive the space is.

Mergers and Acquisitions

The Issues Paper sets out that it will "consider the impact of mergers and acquisitions in ad tech services and ad agency markets" and notes that there is a trend towards mergers and acquisitions that increase vertical integration along the ad tech supply chain.[77] As discussed above, ad tech is highly fragmented, has seen increased commoditisation, and must respond to the evolving needs of advertisers and publishers. These trends have made consolidation and vertical integration part of the natural evolution of the industry, and are indicative of dynamic competition in ad tech.

Recent examples of this trend include the following mergers and acquisitions: Rubicon Project and Telaria (forming "the world's largest independent SSP" that is poised to capture growth in TV);[78] Smart and Liquid M (combining supply-side and demand-side tools);[79] the announced combination of Outbrain and Taboola;[80] Amazon's acquisition of Sizmek;[81] AT&T's acquisition of AppNexus (forming Xandr, encompassing all aspects of AT&T's pre-existing advertising and analytics businesses as well as AppNexus)[82] and more recently Glypd (integrating a linear TV SSP).[83] Prior to these acquisitions, Adobe acquired TubeMogul,[84] Verizon acquired Yahoo! and AOL (two previously large ad tech players) to launch its Oath online media and ad tech business (now called Verizon Media),[85] and Twitter acquired MoPub.[86] Similarly, SingTel

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[76] Issues Paper, pp22-23.

[77] Issues Paper, p21.

[78] Lara O'Reilly, *Rubicon and Telaria merge to create 'The Trade Desk of the sell-side'*, Digiday (19 December 2019), https://digiday.com/media/rubicon-telaria-merge-create-trade-desk-sell-side/.

[79] James Hercher, *Publisher Tech Player Smart Acquires DSP Liquid M*, AdExchanger (18 December 2019), https://adexchanger.com/ad-exchange-news/the-supply-side-tech-company-smart-jumps-the-exchange-with-acquisition-of-dsp-liquid-m/.

[80] *Taboola and Outbrain to Merge to Create Meaningful Advertising Competitor to Facebook and Google*, Business Wire (3 October 2019), https://www.businesswire.com/news/home/20191003005479/en/Taboola-Outbrain-Merge-Create-Meaningful-Advertising-Competitor.

[81] *Amazon Is Acquiring Sizmek Ad Server and Sizmek DCO*, AmazonAdvertising (31 May 2019), https://advertising.amazon.com/blog/amazon-is-acquiring-sizmek-ad-server-and-sizmek-dco.

[82] *AT&T combines AppNexus with its own ad businesses to form Xandr*, AdNews (26 September 2018), https://www.adnews.com.au/news/atandt-combines-appnexus-with-its-own-ad-businesses-to-form-xandr.

[83] Paige Murphy, *Xandr acquires TV advertising sales platform Clypd*, AdNews (21 October 2019), https://www.adnews.com.au/news/xandr-acquires-tv-advertising-sales-platform-clypd.

[84] Brad Rencher, *Adobe Completes Acquisition of TubeMogul*, Adobe Blog (19 December 2016), https://theblog.adobe.com/adobe-completes-acquisition-of-tubemogul/.

[85] Brian Heater, *Oath Officially Becomes Verizon Media Group on January 8*, TechCrunch (18 December 2018), https://techcrunch.com/2018/12/18/oath-officially-becomes-verizon-media-group-on-january-8/; *Verizon to Take 'Oath' as New Company to Run Yahoo, AOL*, Yahoo! Finance (3 April 2017), https://finance.yahoo.com/news/verizon-oath-company-run-yahoo-235855511.html.

[86] Jim Payne, *MoPub + Twitter*, MoPub (9 September 2013), https://www.mopub.com/2013/09/09/mopub-twitter.

acquired Amobee,[87] which in turn acquired Videology.[88] Oracle has also made multi-billion dollar investments in various ad tech-related acquisitions, primarily in data management and measurement tools.[89]

Google's acquisitions in ad tech occurred longer ago, mostly in the 2008-2011 timeframe when ad tech was less developed. At that time, Yahoo!, AOL, and Microsoft were still among the largest players in display ads and ad tech. Google acquired DoubleClick in 2008, before the rise of Facebook and well before the entry of Amazon, Verizon, and AT&T through the acquisitions described above. Before that acquisition, Google had a presence in ad tech primarily through our AdSense product. The DoubleClick acquisition[90] enabled Google to offer our advertising and publisher customers a broader suite of products to help them improve returns from their ad spend and improve yield from their ad sales. Similarly, Google's 2010 acquisition of AdMob improved Google's ability to help mobile app developers enhance their yield from ad sales.[91] Google's acquisitions of Invite Media and AdMeld in 2011 likewise enhanced Google's capabilities with then-complementary assets in real time bidding for advertisers and yield management for publishers. Finally, Google's 2014 acquisition of Adometry made Google Analytics more robust by adding Adometry's powerful attribution modeling capabilities, all to the benefit of advertisers seeking detailed information about the effectiveness of their ad strategies.[92]

For each of the ad tech products that Google acquired through these transactions, other significant providers of similar products existed at the time of those acquisitions (e.g., Microsoft, Yahoo!, AOL, Rubicon Project, AppNexus, PubMatic etc.), and since those acquisitions, new

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[87] John Ebbert, *The Global Digital Ad Race: SingTel Corp Acquires Amobee For $321 Million*, AdExchanger (5 March 2012), https://www.adexchanger.com/ad-exchange-news/singtel-corp-acquires-amobee/.

[88] Mark Jones, *Singtel-owned Amobee completes $100m bid for video ad specialist Videology*, MarketingTech (29 August 2018), https://marketingtechnews.net/news/2018/aug/29/singtel-owned-amobee-completes-100m-bid-video-ad-specialist-videology/.

[89] Julie Bort, *These brothers just sold their company to Oracle for $850 Million, and they have their fingers in dozens of other companies*, Business Insider (20 April 2017), https://www.businessinsider.com/oracle-moat-acquisition-jonah-noah-goodhart-brothers-2017-4; Trefis Team, *Here's Why Oracle Paid Over $1.2 Billion for Acquiring Datalogix*, Forbes (20 February 2015), https://www.forbes.com/sites/greatspeculations/2015/02/20/heres-why-oracle-paid-over-1-2-billion-for-acquiring-datalogix/#6d3d40095d7d; Dan Primack, *Source: Oracle Pays More Than $400 Million for BlueKai*, Fortune (24 February 2014), https://fortune.com/2014/02/24/source-oracle-pays-more-than-400-million-for-bluekai/.

[90] *Google-DoubleClick Acquisition, Background Information* (September 2007), http://static.googleusercontent.com/media/services.google.com/en//blog_resources/google_doubleclick_background.pdf; *Google to Acquire DoubleClick*, News from Google (13 April 2007), http://googlepress.blogspot.com/2007/04/google-to-acquire-doubleclick_13.html.

[91] *Google to Acquire AdMob*, News from Google (9 November 2009), http://googlepress.blogspot.com/2009/11/google-to-acquire-admob_09.html.

[92] Ginny Marvin, *Google Snags Attribution Firm Adometry To Beef Up Google Analytics Premium* (6 May 2014), https://marketingland.com/google-snags-attribution-firm-adometry-beef-google-analytics-premium-82823.

providers have emerged or grown to significance (including through IPOs) (e.g., Facebook, Amazon, Twitter, Adobe, The Trade Desk, MediaMath, Taboola, Outbrain, Criteo etc.). Notably, while some of the initially large players have been acquired (Yahoo!, AOL, AppNexus), none have exited ad tech. Moreover, as the ad tech industry continues to evolve, other established ad tech providers have sought ambitious strategic mergers to fast track the expansion of their capabilities thereby increasing their attractiveness to publishers and advertisers. For example, the recent Telaria and Rubicon Project merger sees two highly complementary businesses consolidate to create the world's largest independent SSP.[93] These significant industry changes evidence the dynamic and constantly evolving nature of the ad tech marketplace.

As discussed above, ad tech remains a highly populated space. Indeed, in Google's experience, the referenced mergers, acquisitions, organic growth, and vertical integration have increased ad tech innovation and competition.

Transparency

The Issues Paper raises questions about "the availability of information to market participants in ad tech and ad agency markets [to enable them to] make informed choices that promote competition and the efficient operation of a market."[94]

At the outset, it is important to acknowledge the relative accuracy of digital advertising measurement tools compared with the tools available for traditional media.[95] For instance, Commercial Radio Australia ("CRA") and Nielsen measurement is based on extrapolations of relatively small data sets to the whole population, rather than actual data made available through ad technology.[96] In addition, digital advertising also allows real-time measurement, permitting visibility of effectiveness of campaigns while they are underway.[97]

Google has strong incentives to invest and innovate in providing metrics and other relevant information to assist publishers and advertisers in making informed choices between different ad tech providers; and accordingly, we provide such information. Given the fragmented and competitive nature of digital advertising, advertisers and publishers can and will simply take their

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[93] *Supra* note 78.
[94] Issues Paper, p17.
[95] Jim Schleckser, *Measurable Marketing: Why You Need to Go Digital*, Inc. (2 January 2018), https://www.inc.com/jim-schleckser/measurable-marketing-why-you-need-to-go-digital.html.
[96] *2020 Radio Ratings Tool Kit*, Growth from Knowledge, pp34 and 36-37, https://www.gfk.com/fileadmin/user_upload/dyna_content/AU/Documents/Resources/2020/GfK_Radio_Ratings_Tool_Kit_2020.pdf (specifying how sample respondents for the CRA rating are selected); *TV Ratings*, Nielsen, https://www.nielsen.com/us/en/solutions/measurement/television/ ("Chosen randomly through proven and rigorous techniques, Nielsen's TV Families represent a cross-section of representative homes across the country and each local market.").
[97] Aisling Finch, *Inside Google Marketing: Using data to drive successful digital brand campaigns in Australia*, Think with Google (March 2017), https://www.thinkwithgoogle.com/intl/en-aunz/marketing-resources/data-measurement/inside-google-marketing-using-data-drive-successful-digital-brand-campaigns-australia/.

business elsewhere if they are unsatisfied with the accuracy of our metrics or the effectiveness of our ad systems.

That said, we do appreciate that several features of the digital advertising space may at times pose transparency challenges:

- *Opacity is sometimes a function of fragmentation.* Lack of transparency can arise from the variety of services and number of service providers in programmatic ad transactions, rather than the practices of individual ad tech providers. Advertisers (and in particular ad agencies in Australia) and publishers multi-home among many different vendors and solutions, which contributes to complexity.

- *Transparency must be balanced with safeguards on user privacy and information exchange.* While we support efforts to improve transparency, there are inevitable constraints associated with appropriate privacy regulations and policies, as well as contractual restrictions imposed by Google's partners and customers. Google takes very seriously our obligations regarding the privacy expectations of users, data-sharing regulations, and the reasonable expectations and contractual rights to confidentiality of other market participants. Given this, Google is at times constrained in how much information we can share, especially when it can be tied back to individual users. This is why the reports we provide are generally aggregated and anonymised. In addition, Google's ability to provide comparable metrics is limited by restrictions imposed by publishers on our sharing of information concerning advertising transactions with others.

The ACCC's DPI Final Report noted that "market driven solutions appear to be on the way to solving issues around verification and the measurement of ads."[98] We agree that transparency in ad tech is improving. For our part, Google takes a number of steps to give publishers and advertisers insight into the performance of their inventory and ad spend, respectively:

- *Publisher metrics.* Google provides publishers with a number of sophisticated metrics, depending on the Google publisher tool being used, that are designed to help publishers capture advertising revenue more efficiently across all of their inventory. A listing and explanation of available metrics are provided on Google's Ad Manager Help page.[99] We periodically introduce new types of data reporting, such as the recently introduced "Bid Data Transfer file," which gives publishers that use GAM access to data from all the bids submitted to their auctions.[100]

- *Advertiser metrics.* Google also provides a variety of metrics and reports to help advertisers optimise their return on ad spend. For example, after an auction for a given ad impression has taken place, GAM and AdMob provides each bidder with information

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[98] DPI Final Report, p150.
[99] *Ad Manager report metrics*, Google Ad Manager Help, https://support.google.com/admanager/table/7568664?hl=en.
[100] *Bid data in Ad Manager Data Transfer (Beta),* Google Ad Manager Help, https://support.google.com/admanager/answer/7357436?hl=en.

on the minimum bid that it would have needed to win that auction, to help inform future bidding strategies. We provide advertisers with billable event notifications so that they are informed when they actually incur a charge for running an ad. We have also developed partnerships with leading measurement technology providers to deliver third-party measurement solutions in a way that gives advertisers the ability to obtain independent measurement data if they so choose.

Data

The Issues Paper "seeks stakeholder views on the role and use of data in markets for ad tech services and ad agency services."[101]

Data is helpful in advertising in several respects, including measuring ad performance and protecting against fraud, abuse, and security threats. In addition, data can be used to target ads more efficiently than traditional forms of media by developing insights from user data. For example, frequency capping is a feature that limits the number of times a display or video ad appears to the same person. More relevant and effective advertising helps improve users' experience and publishers' monetisation, which in turn facilitates user access to websites at subsidised prices or without paywalls and subscriptions.

These benefits, however, do not mean that having access to a large volume of user data gives a platform an automatic competitive advantage, much less an insurmountable competitive advantage. There are many examples of industry incumbents that had a large user base and access to user data at a large scale, yet did not remain popular (e.g., MySpace, AOL Instant Messenger, AltaVista, Lycos, and Bebo). Conversely, players like Snapchat, Spotify, Travello,[102] Liven,[103] TikTok, and numerous other ubiquitous online brands, launched without any preexisting user data and are now competing successfully for ad spend.

Why is it that large-scale collections of user data, while possibly valuable, do not necessarily translate to market power or increased barriers to entry in online advertising and ad tech? For one thing, consumers typically share data with many firms, so it is unlikely that any one firm has unique access to user data. Studies suggest that Australians on average use their phone for three hours each day,[104] have 100 apps on their phones, and use 10 apps per day and 36 different apps every month.[105] These mobile apps include, not only those of digital platforms like Facebook, Amazon, Wish, Uber, Airbnb, or Netflix, but also traditional businesses including

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[101] Issues Paper, p16.
[102] Catherine Tucker, ACCC Digital Platforms Inquiry Submission (27 November 2018), p47, https://www.accc.gov.au/system/files/Facebook%20Australia%20-%20expert%20report%20from%20Professor%20Catherine%20Tucker%20%28Nove....pdf.
[103] *Id.*
[104] *Mobile Nation 2019*, Deloitte (2019), p4, https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-mobile-nation-2019-080419.pdf.
[105] Luke Frost, *Study: Average Aussie Uses 36 Apps per Month*, Bandt, https://www.bandt.com.au/study-average-aussie-uses-36-apps-per-month/

banks, telecommunications companies, airlines, credit card companies, retailers, and many others. Most of these mobile apps collect a variety of user data, including location information, device information, mobile platform information, website browsing information, billing information, etc.[106]

Even companies that do not have their own consumer services online, and thus do not collect their own first-party data directly from users, have several alternatives to access such data. For example, they can turn to companies called data brokers, which aggregate and sell large volumes of consumer data, such as lists of names, online browsing history, purchase histories, or loyalty card data. Ad tech companies that offer DMP services often use these and other techniques to collect various categories of user data to help publishers and advertisers better target ads.[107]

Therefore, the key to success in the online advertising world continues to be the development of the most innovative and insightful technologies, including technologies that attract users and technologies that help to unlock the value of user data.[108]

5.   Conclusion

We appreciate the opportunity to comment on the competitiveness, efficiency, transparency, and effectiveness of the ad tech sector. We look forward to working constructively with the ACCC on these very important issues over the course of the ATI.

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[106] *See, e.g.*, Electronic Arts Inc., Privacy and Cookie Policy, http://tos.ea.com/legalapp/WEBPRIVACY/US/en/PC/#section1.
[107] For example, Qantas's data marketing business Red Planet enables other businesses to use data gathered from its Frequent Flyer program with 10.1 million members, its Qantas Shop, and other sources to target digital advertising. Miranda Ward, *Qantas launches data marketing business Red Planet, takes digital media buying in-house*, Mumbrella (10 September 2014), https://mumbrella.com.au/qantas-loyalty-launches-marketing-services-business-red-planet-250624.
[108] *See* Lerner Submission, pp38-48, *supra* note 69.