

ACCC Ad Tech Inquiry Issues Paper

Submission on behalf of Havas Media, Australia



Havas Media is a full-service media agency, and part of the Havas Group, a multi-national holding company. In Australia, the Havas Group owns a number of agencies that cover the full range of marketing services – these mainly include Host/Havas (Creative agency); Red Havas and One Green Bean (PR agencies).

The media agency has been operational in the market since late 2013 and is the newest of the global media agency brands in the market. It provides the full suite of media agency services, across a wide range of global and local clients (including New South Wales Government, Kia Motors, Emirates Airlines, SunRice, Ticketek and many others).

Havas Media Australia is a member of the Media Federation of Australia (MFA). The agency supports the submission of the MFA to this enquiry.

The following document outlines the response of Havas Media to the specifically cited 'Ad agency' questions in the ACCC Tech Inquiry Issues Paper, in order to provide a perspective from the agency alone. We do not intend the responses to be considered as representative of any other agency or consultant in the market.

Ad agency services

Q7) Who are the main ad agencies in Australia? Are they associated with one of the five major global advertising holding groups (WPP Group, Omnicom Group, Publicis Groupe, Interpublic Group, and Dentsu)? If so, which ones?

The agencies are those listed within the Mediascope schematic provided in the MFA submission.

Havas Media only has one operational media agency brand in the Australian market, Havas Media Australia.

Q8) Do any of these ad agencies have the ability to profitably raise prices or lower quality without losing advertisers in Australia?

As in any industry, individual contractors may be able to charge higher prices than each other.

However, in terms of the basic commodity of media space / audience delivery, it is hard to do this and retain your client base for several reasons; typically these are short duration of client contracts, potential for clients to break these contracts at short notice, forensic pricing scrutiny from 3rd parties and auditors, competitive pitching, third party auditors / benchmarking companies, availability of data in the marketplace, direct contact from sales operations and self-serve advertising platforms.

Q9) Do any of the ad agencies' holding companies have the ability to profitably raise prices or lower quality without losing advertisers globally?

The same factors apply as in Q8 above.

In fact, it is more likely that Australian agencies working on globally aligned business within the holding groups will in fact be losing money on those assignments due to the extremely low fees negotiated by global clients, which do not cover the costs of the required people in a small but economically advanced market such as Australia. This is a result of global contracts being negotiated on an equivalent % commission vs spend estimate. E.g. a client that is based in a major market in Europe may spend \$100m, but less than \$10m in Australia. The commensurate media commission (typically 2-4%) on spend would generate \$2M in fees in Europe and \$200K in Australia but the expectations of the quality of service and breadth of resource would be the same. This fee would not be adequate to fund the required service provision in Australia, yet that would be the expectation. This can have a significant impact on workload levels, and negatively impact staff morale and mental wellbeing as well as deliver a lack of profitability to the business.

18 a) What information do you need to make informed decisions about how to buy display advertising inventory?

Below is some of the information used to make decisions around the purchase of digital display advertising:

Control – Real Time Bidding vs Reservation or Direct Insertion Order

- This means the type of ads that are brought programmatically or across reserved deals with publishers/ direct Insertion Orders (IOs).

Cost – Auction vs Fixed

- This is the purchase of ad space executed programmatically or across a Guaranteed pricing, often negotiated between the agency and publisher.

Targeting – Content vs Customer

- This is the purchase of ad space which is contextually relevant to a brand instead of buying audiences available across publisher sites (e.g. buying 'food editorial environments' vs. 'Grocery Buyer' audiences)

Inventory -

- This involves buying publisher space. Ways to buy it include Open Exchange, Private Marketplace or Programmatic Guaranteed.

Viewability, Ad Fraud, Brand Safety -

- This involves buying inventory which is 'brand safe' and works for our brands.

18 b) Do you have this information? If not, how does this impact your decision-making about how to buy display advertising inventory?

We do have all the above information and factor it in while buying inventory across display for our clients.

18 c) Who controls access to this information?

The access to the information always sits with and is controlled by the advertiser and media agency.

For advertisers and ad agencies

Q20 a) Can you easily compare the price and quality of services being offered by each demand-side ad tech service provider? If not, what is preventing you from being able to make this comparison?

This can be ascertained during a pitch process when competitive pricing submissions are requested and form a major focus of the tender process. However, it is not unusual for clients to seek comparisons with different platforms if they feel that their current pricing is not competitive.

Direct comparisons are sometimes difficult due to the different approaches to market/datasets used by various organizations. However, clients and agencies are able to test different ways to market and ascertain the value of different partners by the end results - their effect on campaign KPIs compared to competitors.

Q20 b) Are you able to easily determine how much of your total ad spend is being retained by ad tech services providers?

In many cases this is built into the cost of the media. As in any supply chain, we are not aware of the detail of each individual component e.g. how much does the cardboard packaging cost when we buy a packet of cereal? However, we can compare the price of the overall package between cereal brands. There is concentrated market power in Google's suite of products and because Google has huge amounts of data and high-quality products.

As some of our activations run across Demand Side Platforms like Google/ DV360 which are not explicit on reporting detail across fees absorbed in the whole tech stack, the actual % of ad spend retained by ad tech providers is not clear.

One methodology which helps us to successfully identify component cost structures is the process of limiting the number of SSPs used. This approach has helped us with some clients in identifying the % of ad spend saved, by identifying separate factors such as 'win rate %', 'auction price to win' etc. that can then be used as working media and aid us in being more effective in terms of optimisation approaches.

Q20 c) How does the availability of pricing information affect your ability to optimise your ad spend and seek out the most competitive offers for ad tech services?

Most campaigns are optimised in real time against client agreed campaign KPIs and underperforming options are cut from the roster. As with all media agencies services, clients have the freedom to pitch their business here and seek competitive quotations. Indeed, as noted throughout much recent industry commentary, there is also a trend for clients to 'in-house' these services, as e.g. Woolworths & Telstra have done.

The more clarity we have around pricing, the better we are able to optimise our clients' campaigns, and deliver value:

The higher the level of transparency, the better we are able to ensure brand safe environments for our clients, reducing the possibility of ad fraud or non-safe environments that could potentially infiltrate sites delivered across any of the 25+ SSPs.

The more transparency we have around auction dynamics, the more we can find the optimal bid price via 'Bid Shading' technology. This helps to provide a % saving for the advertiser per impression.

Additionally, we are able to provide scale through data-matching and reach - restricting usage of multiple SSPs by thorough SSP evaluation and consolidation.

For ad agencies

Q24 a) How are ad agency fees calculated?

A variety of remuneration methodologies are available. These can be in the form of retainer fees based on resource (FTE) models; traditional % media commission amounts can be applied (note the prevalence of this traditional model is diminishing over time – agencies should be providing ‘neutral’ advice, and not be incentivised to recommend ‘commissionable’ media. Commissions are most often returned to advertisers for those sums to be reinvested into campaigns).

Havas Media Australia is fully transparent across paid digital activations with fees such as platform fees, ad serving fees, ad verification fees clearly split out against media investments across all digital channels including programmatic, paid social and search. These fees are specified to our clients and available for scrutiny if required.

Q24 b) What types of discounts, rebates, or other benefits do you receive from publishers? How are these discounts, rebates or other benefits calculated by publishers?

10% agency commission payable as standard across direct digital bookings with some publishers.

Across programmatic platforms publishers calculate discounts based on investment across clients along with seasonality. Volume discounts apply according to published ratecards (and sometimes beyond these ratecards) in both offline and online media.

Obviously, it is in our clients’ best interest if we can negotiate as large a discount as possible on their behalf.

Q24 c) Do any other market participants give any discounts, rebates, or benefits to ad agencies?

We subcontract some specialist services to third party consultants who provide strategy, project management and implementation services (e.g. integrated advertising solutions for mobile phones). We do this because, as a smaller agency, there are some areas where we do not have the scale to deliver services effectively ourselves. These providers may provide a commission for any business delivered to them. We do this to avoid investing in specialised staff within our own agency in an area where spend (and therefore returns) may be uncertain.

Q24 d) How are any discounts, rebates or other benefits passed on to advertisers? What information do you provide to your customers about how these discounts, etc. are passed on?

Media commissions are passed back to clients for use at their discretion (e.g. for campaign reinvestment). This is specified in relevant client contracts. Where price reductions occur due to seasonality, programming or site selections, this benefit is shared back with the advertiser and this is visible to the client/advertiser through access to their own results data.

Q24 e) What other information do you provide to your customers? E.g. metrics about performance of purchased programmatic advertising.

We provide a range of media performance information for all clients that covers delivery through response metrics and includes data such as impressions served, clicks, \$ spent, ad viewability, cost per click, cost per lead/conversion.

To enable this, we have a dedicated data analytics team who provides the campaign relevant metrics via the Datorama analytics presentation suite.

This is a secure online and real-time platform that connects all our advertiser data sources together to form an efficient reporting system in order to provide better decision making and total marketing performance oversight across any media channel.

Datorama's combination of end-to-end data management, AI technology and high-performance architecture makes it a simple data-driven experience that connects, unifies, analyses and acts on all client marketing, media and creative data.

In addition to Datorama we also provide clients with Post-Campaign Analysis (PCA) reports at the end of any major campaigns and as required.

Additional multiple reports are available which analyse and measure consumer brand perceptions (via social listening tools, for example), as well as campaign effectiveness surveys and bespoke global and local research such as 'Meaningful Brands'.

Q29 a) What types of information would assist you to decide whether and how much to bid in an auction for display advertising inventory (e.g. number of bidders, final auction price, other bids, etc.)?

We have access to multiple information sources and data points (such as final auction price, number of bidders and win-loss rate %) all of which help us effectively manage display campaigns. Additional information and quarterly reviews with SSPs and publisher partners, help us to effectively run display advertising campaigns and achieve positive results for our advertisers.

Q29 b) Do you have access to this information? If not, how does this affect your ability to bid effectively?

We do have access to this information across most of the demand side platforms, supply side partners and publishers that we invest with. The optimisation steps involved help us to not only effectively bid but also manage performance.

For advertisers and ad agencies

Q40 a) What proportion of your display advertising budget is spent programmatically?

Approximately 55% of our digital budget is brought programmatically. Most of this is across activations for desktop and mobile activations.

Q40 b) Do you use ad agencies to manage your display advertising spend? If so, what proportion of your spend is managed by ad agencies?

NA

Q40 c) What proportion of your advertising expenditure is spent on advertising inventory from:

Approximately 35% of Havas Media's total expenditure in 2019 was in Digital Media. The expenditure breakdown across digital platforms was as follows:

- i) Google-owned platforms (e.g. YouTube, Gmail) - 45%
- ii) Third-party publishers on Google Display Network - 3%.
- iii) Facebook-owned platforms (e.g. Facebook, Instagram, WhatsApp) - 25%
- iv) third-party publishers using end-to-end ad tech services such as Facebook Audience Network or Taboola - 10%
- v) Third-party publishers on other ad exchanges - 17%

Ad agency services

Q44) What are the relationships between global advertising companies and their Australian subsidiary ad agencies?

Relationships between Havas Media Australia and its affiliated companies & global Headquarters work both ways.

Typically, Havas Media Australia may deliver ad hoc planning and media services in Australia for affiliated companies and their clients if they do not have a presence in Australia.

Havas Global Headquarters and its affiliates may provide the following services to Havas Media Australia whenever requested:

- Advice and assistance for New Business activities (global and local clients)
- R&D: Development of media tools and provision of these tools
- Proprietary research including Meaningful Brands and Connect
- Proprietary workflow, process and systems e.g. Mx Systems
- Marketing support
- Development & provision of specialised training modules
- Use of Havas Programmatic Hub, Havas proprietary trading desk
- Ad hoc Media planning and buying services overseas for local Australian clients
- License fee agreement for the use of the Havas brand

Q45) What relationships are there between ad agencies and their own trading desks? Do ad agencies preference their own trading desk?

Like all network agencies, we encourage clients to use our own programmatic platform - Havas Programmatic Hub (HPH). Clients are fully aware that they will be using their agency's trading desk when they sign a contract, and of course they are free to interrogate the strengths and weaknesses of our platform vs competitors. If our offering is not competitive, we understand that clients will choose to use competitors' products.

HPH manages all programmatic, bid-based media and audience buying. HPH has been built globally as a service-based team of experts that acts as a managed service layer for our clients, on top of best-in-class, third-party demand-side platforms (DSPs) and other audience-buying technologies. At Havas we have developed an engagement model that is centred around partnership and collaboration. The HPH team is a group of specialists who collaborate with strategists and planners focused on delivering business results.

Q46) Do ad agencies preference publishers who give them free inventory?

Free inventory made as part of a digital media plan recommendation is often remnant (unsold) publisher inventory. While the inclusion of free/remnant inventory can help campaigns achieve (marginal) extra reach numbers, it does not help advertisers deliver important aspects of digital performance such as viewability, brand safety, ad positioning etc. Our agency's approach has always been to partner with publishers who help achieve our advertiser's ROI through strategic activations.

In this brief document we have answered all the questions that were directly posed to media agencies in the Issues Paper, and are available for any further clarification sought, or requests for information.