

Omnicom Media Group (OMG)

Submission to ACCC:

Ad Tech Inquiry Issues paper

18th May 2020

The logo for Omnicom Media Group (OMG) is displayed in a bold, white, sans-serif font against a dark blue background. The letters are thick and closely spaced, with the 'O' and 'M' being particularly prominent.

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1. Executive summary

Omnicom Media Group Australia's (OMGA) submission focuses on the agency ecosystem; the balance of power between advertisers and agencies which is underpinned by the information available to advertisers in selecting and working with agencies. Secondly, transparency in the programmatic media supply chain. Additional areas raised by the ACCC are also included.

OMGA's submission shows that advertisers can make informed choices about their agencies and the type of programmatic supply chain used for their campaigns. In OMGA's experience advertisers expect granular transparency in their agency costs and for all the media their agency buy, especially programmatic.

The breadth and depth of information supplied by OMGA to advertisers during a tender process, and ongoing through media service delivery, as well as contract audits, show the Australian agency market to be highly competitive.

OMGA has used its transparency and media governance framework, especially within the programmatic media supply chain, as a competitive advantage to consistently grow its business. OMGA makes the observation that if any market participants do not provide granular data or adhere to comprehensive advertiser contracts, these agencies and market participants will suffer reductions in business. Advertisers are well informed and have the market power to quickly move their business to more transparent governance driven competitors. Due to this philosophy, where OMGA encounters opacity in the supply chain we work to understand why this exists and work to reduce or remove it for our advertisers, ensuring informed decisions are made.

There are many different options or permutations on how to run campaigns using technology and each choice of technology will offer differing capabilities and features to meet campaign objectives. Programmatic practices have recently focused on the breakdown of the media supply chain enabling agencies and advertisers to understand the cost and value of component parts. Prior to programmatic, digital was transacted via direct bookings which meant all component parts were managed by a publisher with no ability for advertisers to understand and control the make-up of a digital campaign.

The programmatic supply chain in Australia still requires significant work and publishers will have to play a far larger role in the next phase; improving understanding of their supply chains as the UK ISBA programmatic supply chain report highlighted this month. Our ambition is that the buy and sell sides can follow end to end impressions. OMGA believe that Australia can build on the work completed by the majority of market participants to achieve this.

2. About Omnicom Media Group Australia (OMGA)

Omnicom Media Group Australia (OMGA) is the media division of Omnicom Group Inc. responsible for media planning and buying on behalf of clients that contract OMGA's services.

OMGA has operated in Australia for over 40 years. First as media departments within Omnicom Media Creative agencies, before becoming a separate media planning and buying business in 2000, allowing Omnicom to meet increased demand from clients for specialist expertise.

Today OMGA includes some of the largest media agencies in Australia; OMD Worldwide, PHD Network, Hearts & Science, Foundation and Resolution. OMGA's agencies have grown over a prolonged period by developing products that meet advertisers' needs at a competitive price. We believe transparency with our advertisers, especially in digital, is a core part of why we have been successful.

OMGA is a member of the Media Federation Australia (MFA) and actively engages with all peak industry bodies including the Australian Association of National Advertisers (AANA) with the aim of improving the Australian advertising industry for all participants.

3. Material impact of the COVID19 health and economic crisis

We echo the MFA's statement that COVID19 is having an unprecedented impact on our people and business as we deal with economic shocks of uncertain duration and effect.

OMGA is doing all that we can to retain staff and limit redundancies as advertisers pause or cut their marketing budgets in response to economic challenges and changing consumer behaviour. The severity of this impact can be seen in the initial April 2020 spend data from Standard Media Index (SMI) showing a 42% decline in spend year on year.

The economic shock created by COVID19 has already led many clients to reduce or stop paying fees. OMGA understands that many clients are going through enormous financial difficulties and we are working with them to find the best way forward. We raise this point as it highlights that advertisers have significant power in their dealings with agencies and can rapidly change their terms of trade.

OMGA worked with the MFA on its submission to the inquiry, in collaboration with other MFA members. OMGA supports the MFA's answers to the inquiry and has replicated many of the points and charts used in this submission, building on them where appropriate and answering additional questions relevant to OMGA.

OMGA has used the ACCC questions as the framework for its response which are specific to its experience of the Australian market.

4. Efficiency and competitiveness of the relevant markets

The points we make regarding market structure, competition and concentration of market power of the media agency market are relevant to:

***Question 3:** How competitive do you consider the market for ad agency services to be and why?*

***Question 7:** 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?*

Competition for ad agency services in Australia

The focus on agencies within the digital platform's inquiry has to date been on holding groups. While this is understandable Australia has a very large and diverse ecosystem extending well beyond the holding groups, which the Australian Mediascape illustrates on the next page.

Media agencies in Australia compete with:

- Global consultancies, such as Accenture, PWC, Deloitte and KPMG
- Global Enterprise software providers, such as Salesforce and Adobe who have been active in acquiring marketing ad tech and data businesses in recent years
- Large global media agency networks (holding groups such as Omnicom Media Group)
- Internationally owned agencies, such as Bohemia, and S4 who are small to medium sized agency networks
- Australian independent agencies, such as Hyland, Pearman Media, The Media Store, Nunn Media and Cummins and Partners
- Specialist media service agencies that provide specific services, for example, search agencies, digital marketing agencies and ethnic media agencies
- Media vendors who increasingly offer self-service platforms. This includes, but is not limited to Google, Facebook, Amazon and more recently local publishers, such as Nine

Entertainment through its Voyager platform¹, Network 10 through Buy10 and News Corp's News Connect platform².



Agency holding groups such as OMGA have faced growing competition for advertiser business for over a decade. This has forced holding groups to continually improve their

¹ <https://mumbrella.com.au/nine-plans-to-revolutionise-media-buying-with-the-launch-of-9voyager-586637>

² <https://www.newscorpaustralia.com/news-connect/>

services, reduce pricing and invest heavily, especially in the most competitive area of all, in digital services and data³.

This has been replicated at a global level with consultancies becoming competitors in digital advertising services.

At the same time, global consultancy firms also provide services to advertisers including tender processes, contract review management, price benchmarking, and financial and media performance audits of agencies. These services yield detailed insights into the offerings and pricing of individual media agencies and their suppliers. Media audit reviews and pitch review consultants collect vast amounts of data from media agencies including media agency fees, agency staffing costs, agency overhead costs, agency margins, pricing commitments and delivery, agency third party technology costs and agency IP in their pitch proposals and strategies.

Applying the market knowledge of a global consulting firm may assist the advertiser to make an informed choice. However, the dual role of the global consulting firms also has the potential to enable them to compete unfairly for business against media agencies, whilst also promoting their additional consulting work with advertisers.

As well as competing with the global consultancies who all operate significant advertising businesses in Australia, MediaScope highlights that the media agency sector has a high and growing volume of Australian businesses all competing for advertisers' business.

In 2019, a total of 276 media agencies were responsible for placing \$5.7billion of advertising on Television, Magazines, Radio, Cinema and Out of Home (source: Nielsen Ad Intelligence).

International consultancies and the independent media agency category have all experienced high growth over the past few years in Australia, as have advertisers removing agencies to book directly with major media owners. This highlights that agency holding group market power as a total has been under pressure over a prolonged period.

The landscape makes the competition for advertiser business extremely aggressive, naturally constraining any agencies ability to raise prices or reduce quality.

Advertiser price sensitivity and bargaining power with agencies

The points we make regarding advertiser price sensitivity and market power submission are relevant to:

Question 8: *Do any of these ad agencies have the ability to profitably raise prices or lower quality without losing advertisers in Australia?*

³ <https://www.cmo.com.au/article/643270/jpg-acquires-acxiom-marketing-services-business-us-2-3bn/>

<https://www.merkleinc.com/news-and-events/press-releases/2016/dentsu-aegis-network-acquire-majority-stake-merkle>

<https://adage.com/article/agency-news/publicis-groupe-completes-4-billion-acquisition-epsilon/2181151>

Question 9. *Do any of the ad agencies' holding companies have the ability to profitably raise prices or lower quality without losing advertisers globally?*

The previous section outlined the dynamic and highly competitive market for advertising agency services to advertisers, which increasingly includes global consultancies, smaller international groups and a vibrant local agency category, as well as self-service options from publishers.

This competitive environment means advertisers hold the balance of power especially in the case of large local and global advertisers.

In this highly competitive market advertisers have asserted their bargaining power through:

- Regularly reviewing the cost of agency services, seeking market tender offers to update services and reset pricing, potentially switching to alternative agencies before the contract term has expired
- Enforcing malus or risk-based fee structures as requirements for agencies that seek to win an advertiser's business with commitments placed on agencies to meet media savings targets or incur cost penalties
- Contractual requirement for agencies to reduce costs and increase quality each year using the previous year's performance as a baseline
- Extending payment terms beyond industry norms to, in the case of some large clients, non-negotiable 90-120 days. This is lengthy by any standard and particularly onerous for agencies as they act as independent contractors to advertisers in buying media and must finance media spend for 45-75 days before reimbursement
- Advertiser contractual arrangements making agencies independent contractors and therefore legally liable for the cost of media booked on an advertisers' behalf.

The combination of a (i) very competitive market, (ii) detailed cost information, (iii) specialist pitch and pricing consultants (iv) mandated contractual pricing, quality and payment obligations create a market dynamic where advertisers hold significant power in Australia and globally. The underlying forces for this market dynamic are structural, driven by ever greater competition, giving advertisers additional market power every year.

Nature of the advertiser and agency legal relationship

At the outset, it is important to recognise that advertisers appoint agencies as independent contractors, not as agents, for the provision of media services. This is commonly misunderstood within the industry, not least due to the agency name deriving from 'agent'.

As independent contractors, media agencies bear the initial cost and the full financial risk for media that is purchased in preparation for the delivery of media services to advertisers.

This is not a construct engineered to remove the fiduciary duties of a legal agent. It is the operational reality that; (i) Media Agencies guarantee the liability of advertisers in the placement of campaigns (ii) Media Agencies offer consultancy services beyond the placement of media (iii) Media Agencies aggregate capability that advertiser seek to

outsource and minimise (iv) Media Agencies frequently assume financial risk for the delivery of price reduction and delivery guarantees.

Agencies pay media vendors and seek reimbursement, consistent with the contractual arrangements and the legal relationship between agency and advertiser. Carrying this risk in normal economic conditions becomes onerous when clients add additional pressure on payment terms. The impact of COVID19 means this risk has grown significantly for the industry with its impact likely to be felt in the coming months.

OMGA highlights the legal relationship as another example of advertiser market power in their dealings with agencies, which in this case transfers financial and strategic risk.

5. How are agencies fees calculated?

OMGA's answers outline its view on how agencies fees are calculated. These answers relate to:

Question 4: *Do ad agencies provide their customers with services that reflect the cost of providing that service and/or the value of that service to the customer?*

Question 24: *For ad agencies: How are ad agency fees calculated?*

- 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?*
- c) Do any other market participants give any discounts, rebates, or benefits to ad agencies?*
- 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?*
- e) What other information do you provide to your customers? E.g. metrics about performance of purchased programmatic advertising.*

OMGA and its agencies primary principle is to operate in our advertisers' best interests. This is the fundamental start point of OMGA's relationship with an advertiser. OMGA applies this approach to how its fees are calculated with its advertisers and discounts, rebates and benefits created for its advertisers.

OMGA negotiates its fee with advertisers based on disclosed staff costs, disclosed overhead costs and disclosed profit margin which are commensurate to the services offered to advertisers and must be competitive to retain existing advertisers and secure new ones.

Advertisers often rely on advice from internal procurement departments and external advisors in deciding which agency to choose, and the preferred pricing structure and deliverables that they negotiate.

A refusal by an agency to work to the fee structure selected by an advertiser is very likely to lead to an agency being removed from the tender process.

If an advertiser wishes to change the remuneration model with its existing agency, refusal by the agency would almost certainly lead to the business being put up for tender.

In OMGA's experience advertisers require a transparent itemised fee model that provides granular information on all parts of the programmatic supply chain. The itemised model is used by OMGA with all its clients.

The itemised model shows all costs and fees incurred to implement an advertisers campaign in a media plan, providing the advertisers with visibility to approve the quantity of media, third party data costs and the third-party platform fees used to deliver an audience. This enables the advertiser to take an active role in agreeing all media, data sources and ad tech used.

Within the itemised model there are two main remuneration structures. The advertiser decides which one is used.

1. A service fee which is most often a percentage of the total approved campaign costs or
2. FTE (Full-Time Equivalent) based model. The advertiser agrees a fixed retainer based upon the number of staff required. Recruitment, training, staff retention are all costs met by OMGA.

As part of the contracting process discounts, rebates or other benefits are included by advertisers to be returned to them. OMGA views these discounts, rebates or other benefits as advertiser benefits and passes them from publishers to advertisers.

Publishers offer discounts based on their market rate cards for inventory as well as additional free inventory, bonus impressions or additional value as part of the normal process of selling their advertising solutions to advertisers and their agencies.

The discount levels or additional inventory are set by the publisher, based on revenue, share and the quality of the relationship between the publisher and the advertiser and its agency. OMGA applies the discounts or inventory at the advertiser campaign level ensuring advertisers have visibility of the value created by OMGA.

For rebates, or other benefits publishers calculate these periodically. When the Publisher decides an incentive has been achieved the revenue is given to OMGA who return it to the advertisers that have qualified. OMGA provides the information received from publishers to advertisers to verify the benefit.

Advertisers may also use financial auditors to further verify that OMGA has delivered on its contractual requirements for its fees, cost breakdowns and benefits generated. This is a very detailed process ensuring clients have confidence in OMGA's delivery. This normally happens annually and includes, but is not limited to:

1. Audit of all media spend
2. Audit of all pass-through costs, such as ad tech fees and all digital supply chain costs
3. Identification of related party transactions
4. Audit chargeable services and expenses under the contract
5. Audit of all free space, discounts, rebates and other agency benefits to ensure they are passed to the advertiser as per the contract

6. Informed decision making, display advertising and the media supply chain

OMGA's answers outline its view on how advertiser and agencies make informed decisions about buying display advertising and comparing price and quality in the digital supply chain. These answers relate to:

Question 18: *For advertisers and ad agencies:*

- a) *What information do you need to make informed decisions about how to buy display advertising inventory?*
- b) *Do you have this information? If not, how does this impact your decision-making about how to buy display advertising inventory?*
- c) *Who controls access to this information?*

Question 20. *For advertisers and ad agencies:*

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

There are many different options or permutations on how to run a display and video campaign using technology and each choice of technology will have differing attributes and features to meet campaign objectives. The advancement of technology when transacting media has given advertisers and agencies more control over how their ads are placed within digital environments.

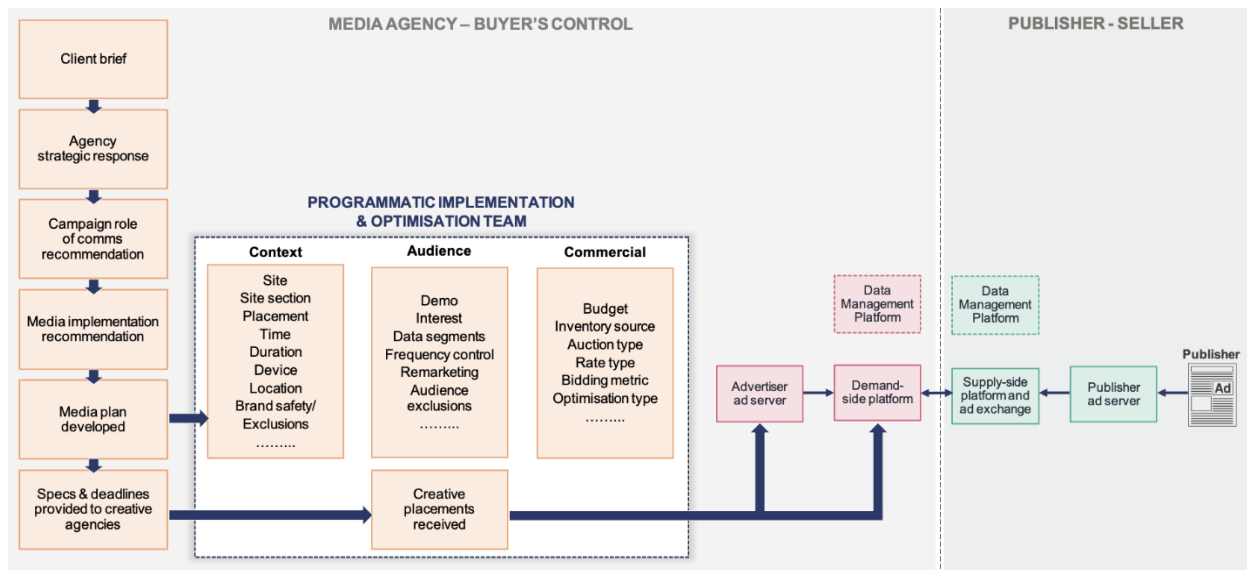
Some of these decisions are not possible when buying either publisher direct or through an ad network.

OMGA works through a set process extracting vital information from a brief, working with clients to form a role of communication and a media recommendation of which a display or video recommendation could form part. If the level of detail and required control is best to be transacted using technology such as a DSP this will also form part of the recommendation.

The type of information extracted at the briefing stage to input into a buy using technology can be summarised into 3 categories, as demonstrated within the flow chart on the next page. This represents a typical industry-wide process:

1. Context
2. Audience
3. Commercial

Agency's control and flow of programmatic execution



If some of this information is not available, OMGA work with the advertiser to ensure the campaign set up is implemented and working towards the overarching campaign objectives, incorporating any additional brand requirements and criteria. E.g. only appearing on a selected and approved list of sites.

The implementation and set up of the buy within the platform is done by a specialist team, if this is contracted, and agreed with the advertiser and forms part of the service offered by OMGA.

All decisions are made in complete transparency with the advertiser and either demonstrated within a media plan or directly within a platform, both of which are accessible by the client as standard practice for OMGA agencies.

Comparing Demand-side ad tech price and quality

There are many ways to evaluate a DSP; cost of media, platform fee and service will all factor into the decision to select one DSP over another.

Ultimately, the OMGA evaluation is a combination of factors, and focuses on measuring and comparing each technology to reach the desired goal or objectives of a campaign or business outcome for an advertiser. This is an extremely complex process.

This is especially true of branding campaigns where brand uplift or awareness may be the goal of the campaign compared to a direct performance metric, which makes a comparison of the DSPs in a simple 1-vs-1 test very difficult.

DSP evaluations will drill down to specific industry verticals or channel types such as connected televisions, where a DSP may have a unique offering. An example would be the ability to use DV360 because they offer exclusive access to Trueview, or Blis because they offer the ability to geofence specific locations for mobile campaigns.

With most platforms having omni-channel capabilities any evaluation must also include any media efficiencies driven by centralising activity in one platform, such as frequency capping, sequential targeting, or audience building.

Comparing the effective price that media can be bought at can be performed relatively easily on fixed rate buy types, with campaigns that have identical setups in all DSPs. An example would be a video campaign purchased using a programmatic guarantee tag. The price the media is bought at is the same regardless of technology provider used (excluding additional fees applied by the technology service).

When buying media within an auction environment and using additional overlays, such as custom audience targeting, comparing the price of media gets more complex and generally is evaluated on a measurement of success or outcome. The use of algorithmic bidding will inform the DSP of how to buy. Depending on the objective selected, buying the cheapest inventory is not always the main priority which makes a simple rate vs. rate comparison an unreliable decision methodology.

Technology vendors set their own fees which vary. The most common fee applied is a percentage of media and can be split into two types. Media bought using an auction, and media not bought using an auction. Some technology vendors might apply a fee to the use of data or additional features/integrations within the platform, this is reported in platforms and typically can be a CPM or % of media. This only refers to the buy side of the transaction and not the publisher sales side (SSP), which is not visible to the agency or advertiser. The disconnect between DSP and publisher facing SSPs is a major feature in ISBA's study attempting to track impressions across the programmatic ecosystem.

Pricing information on delivered campaigns is available, giving data points including media CPM and media cost by exchange, publisher URL, device and daypart. This allows OMGA to determine where the most cost-efficient inventory pockets are, and which SSPs are delivering the most value to the buyer. DSPs do offer some insights on market auction dynamics, which can give an idea of the average market rates which can inform a bidding strategy and highlight where a buyer is potentially buying inefficiently.

7. Opacity in the ad tech supply chain

OMGA's answers outline its view on the ad tech supply chain. These answers relate to:

Question 1: *How competitive do you consider each market in the ad tech supply chain?*

Question 2: *Do ad tech suppliers provide their customers with services that reflect the cost of providing that service?*

Question 5: *Who are the main competitors in the supply chain of the following ad tech services.*

a) *publisher ad servers?*

b) *supply-side platforms and ad exchanges?*

(Note: To the extent that these services are fully integrated, they will be considered as a single entity. If you consider these functions to remain separate, please provide separate information for supply-side platforms and for ad exchanges.)

c) *ad networks?*

d) *demand-side platforms?*

e) *advertiser ad servers?*

Question 10: *Who are the main suppliers of display advertising services in Australia*

Question 11: *Do any of these suppliers have the ability to profitably raise prices or lower quality without losing customers in the market for display advertising services in Australia?*

Where opacity is found by OMGA in the ad tech supply chain OMGA works with market participants and OMGA advertisers to understand if this is due to complexity, technology limitations or intentional. OMGA then works to remove this opacity.

For many years OMGA and its agencies have invested in media governance across the digital supply chain. This has taken the form of governance documentation that explains OMGA's position on behalf of its advertisers, the requirements on market participants and the benefits to everyone by creating a more transparent market for advertisers through OMGA.

Where OMGA has not been able to understand opacity, it has recommended to advertisers not to use market participants, although the final choice remains the advertisers.

Competition in the ad tech supply chain

The ad tech supply chain and the players in market has dramatically evolved over the past five years, with consolidation of certain businesses and their technology becoming unviable or usable in today's market. We can break down key elements of the supply chain and look at the nature of each individual market.

The table below provides an overview:

Element in supply chain	Level of competition	Comment
Media agency	High	<p>Many agencies in market</p> <p>A mixture of independents and holding groups</p> <p>Full service (Creative & media) or specialist</p> <p>Buying rates actively compared and audited</p> <p>Advertisers frequently move agencies</p>
DSP/Buying Platform	Medium	<p>Large choice of platforms still available</p> <p>Functionality has become commoditised over time</p> <p>Differentiation has become reliant on exclusive access to audiences and inventory supply</p> <p>Integration into other services throughout the supply chain key</p> <p>Technology fee is not a key differentiator for most Advertisers</p>
Data Provider	High	<p>Highly commoditised marketplace</p> <p>Large volume of suppliers and audience supply</p> <p>No current validation tool on accuracy of segments</p> <p>Comparisons are generally made through performance of overall activity and agreed campaign objectives</p>
Ad Server	Low	<p>Only one major supplier in market</p> <p>Integration into other suppliers throughout the value chain is key</p> <p>Usability and product features are key differentiators</p>
DMP	High	<p>This is still an emerging ad tech type, with clients still evaluating their requirements and desires. Although competition is high, it is dominated by two players</p>
Cloud Providers	High	<p>Early in the maturity</p> <p>Aggressive marketing/movement for early market share</p> <p>Will be an important part of future technology stacks</p>
SSP/Ad Exchange	Med	<p>SSPs have very little to differentiate and the inventory supply across vendors is almost identical. There are some specialist SSPs focused on format rather than supply to differentiate. Due to video attracting a high CPM, we believe there to be more competition with this type of inventory</p>
Ad Verification	Med	<p>Three main players in the Australian market</p> <p>Price being the main differentiator</p> <p>Functionality and access to insights also drive choice</p>
Web site analytics	Low	<p>Two main players in market</p> <p>Choice of web site analytics key to full stack operation and seamless integration of data and insights.</p>

The control and ownership of content and data when coupled with exclusive access within ad technologies is becoming a concern for Omnicom Media Group Australia, as this restricts the choice of technologies available when the desire for clients is to reach a certain audience within a specific environment.

Cost of ad tech services

The cost of any ad tech provider is evaluated based on business and campaign objectives for the advertiser. This is a constant evaluation performed by OMGA, at an individual campaign level for any part of the ad tech supply chain that can be controlled at the agency side.

Technology is not inserted within the supply chain without purpose or a cost-benefit evaluation. OMGA also actively negotiates on price for each element, either at a local agreement level or using the scale of the holding group to negotiate at a global level.

Taking this into consideration any technology used to place an ad on behalf of OMGA's advertisers provides value and reflects the cost.

Main Competitors in the Australian programmatic supply chain

Due to the number of market participants, OMGA has provided a list:

Name of Supplier	Ad Tech Type	Ownership
AdForm	Publisher Ad Server	Adform
Google Ad Manager (fka. DFP)	Publisher Ad Server	Google
SAS	Publisher Ad Server	SAS
AppNexus (Xandr)	SSP	AT&T
BidSwitch	SSP	BidSwitch
FreeWheel SSP	SSP	Comcast
Google Ad Manager	SSP	Google
Kargo	SSP	Kargo
Telaria	SSP	Rubicon
TripleLift	SSP	TripleLift
Triton	SSP	Triton
AdsWizz	SSP	AdsWizz
Index Exchange	SSP	Index Exchange
Kargo	SSP	Kargo
PubMatic	SSP	PubMatic
Rubicon	SSP	Rubicon
Taboola	SSP	Taboola
TeadsTv	SSP	TeadsTv
UnrulyX	SSP	UnrulyX
Verizon Media Exchange	SSP	Verizon
Verizon Media Video Exchange	SSP	Verizon
One by AOL	SSP	Verizon
Exponential	Ad Network	Exponential
inMobi	Ad Network	inMobi
inSkin	Ad Network	inSkin
Kargo	Ad Network	Kargo
Media IQ	Ad Network	Media IQ

Name of Supplier	Ad Tech Type	Ownership
Playground XYZ	Ad Network	Playground XYZ
Quantcast	Ad Network	Quantcast
Amazon DSP	DSP	Amazon
Adobe	DSP	Adobe
Blis	DSP	Blis
DV360	DSP	Google
Amobee	DSP	Singtel
DataXu	DSP	Roku
MediaMath	DSP	MediaMath
theTradeDesk	DSP	theTradeDesk
Verizon	DSP	Verizon
Xander Monetize	DSP	AT&T
AdForm	Advertiser Ad Server	Adform
Google Ad Manager (fka. DFP)	Advertiser Ad Server	Google
Sizmek	Advertiser Ad Server	Amazon

Main suppliers of display advertising services in Australia

The delivery of display advertising can be transacted in many ways. OMGA classes most display advertising transacted as a direct publisher booking, using a native/self-serve platform, via an ad network or using a DSP to transact programmatically.

Direct Publisher: Nine, News, SWM, Ten, Foxtel Media, ESPN, BBC, Carsales, Cars guide, REA, Domain

Native/Self-serve: Google Display Network, Facebook Audience Network, Verizon, LinkedIn

Ad Network: Quantcast, MiQ, InSkin Media, PXYZ, Inmobi

DSP: DV360, TTD, Adobe, Amobee, MediaMath

Market price and quality sensitivity for display advertising services in Australia?

The ability to control and report where ads are placed is key for any advertiser to ensure that the correct business or campaign objective is delivered. Any entity which ultimately has control over where ads are placed can:

- Increase any non-fixed cost
- Control which sites ads are delivered to
- Volume of ads a specific site receives
- How many times a user/audience is served an ad
- Specific day or time an ad is served.

At any point that an advertiser or agency chooses to buy blocks of inventory rather than individual impressions via a direct buy with a publisher, or selecting an option with a platform to buy blocks of inventory as an automated / aggregate buy, or through an ad network it creates the possibility that price and quality could be influenced.

OMGA have created a set of standards with suppliers that outline how suppliers are to operate and report on ad placements, to minimise the possibility of the above issues occurring for OMGA advertisers. These standards ensure that the appropriate level of control is given to the agency and OMGA advertiser combined with granular information to ensure compliance.



8. The role of data

OMGA's answers outline its views on the role of data in the ad tech supply chain. These answers relate to:

Question 12: *Who are the main competitors supplying the following data services in Australia? Please provide market share estimates wherever possible.*

- a) data management platforms
- b) data brokers
- c) data analytics services, and
- d) ad measurement and verification services

Question 13. *What types of data are of value to ad tech services providers? Do ad tech services providers and ad agencies use both personal and non-personal information?*

Question 14. *Do different types of ad tech services use different types of data?*

Question 15. *How is the data used to assist ad tech functions?*

Question 16. *Are any other participants in the data supply chain relevant to the supply of ad tech services or ad agency services?*

Below are the data services frequently used in the Australian market

Name of Supplier	Ad tech type	Ownership
Adobe Audience Manager	DMP	Adobe
Salesforce	DMP	Salesforce
Lotame	DMP	Lotame
Nielsen DMP	DMP	Nielsen
BlueKai	Data broker	Oracle
Eyeota	Data broker	Eyeota
Experian	Data broker	Experian
Quantium	Data broker	Woolworths
FlyBuys	Data broker	Coles & Wesfarmers
Audience360	Data broker	Carsales
Lotame	Data broker	Lotame
Blis	Data broker	Blis Global

Name of Supplier	Ad tech type	Ownership
Lifesight	Data broker	Lifesight
Google	Data provider (In platform)	Google
Facebook	Data provider (In platform)	Facebook
Verizon	Data provider (In platform)	Verizon
Amazon	Data provider (In platform)	Amazon
Datorama	Data analytics/BI	Salesforce
PowerBI	Data analytics/BI	Microsoft
Datastudio	Data analytics/BI	Google
Domo	Data analytics/BI	Domo
Tableau	Data analytics/BI	Salesforce
MOAT	Ad verification	Oracle
Integral Ad Science	Ad verification	Integral Ad Science
Double Verify	Ad verification	Double Verify

What data is valued by advertisers and agencies

Reaching the right audience at the right time within the right environment is of value to advertisers. Ad tech providers and data brokers have created businesses to facilitate this.

Most data transactions that occur within the ad tech supply chain are still based on “cookies” and mobile device IDs. The value data providers bring to these transactions is the behaviours & demographics attached to the identifier used to target an ad, all classed as non-personal information. In platform data providers allow for segments to be selected and targeted within their own eco-system exclusively. Ad tech service providers do allow the use of email addresses, telephone numbers and addresses

<https://www.facebook.com/business/help/170456843145568?id=2469097953376494>

<https://support.google.com/google-ads/answer/6379332?hl=en-AU>

Audience extension products are also available. These use audience modelling based on the uploaded personal information as a seed, adding a predicted audience referred to as a “look-a-like”.

It is the policy of OMGA that any data which is classified as personal or PII cannot be used or transacted by an employee or OMGA system. Any advertiser who wishes to use this functionality and has the legal rights to do so are required to upload segments directly into the ad tech service provider.

Data differentiation by ad tech services

Both Ad tech services & end publishers offer a range of options when it comes to the utilisation of audience data. Audience types can be classified in many ways such as, the source of the audience segment, by how the segments have been created/processed, the identifier used to match back to a specific user and the relationship to the collector of the data segment.

Source examples:

- Online geo
- Online web analytics
- Online CRM
- Online transaction
- Online survey
- Offline transaction
- Offline CRM
- Offline survey

Audience Types:

- Declared (self-reported, claimed and taken as fact)
- Inferred (using declared information to add additional propensity flags/ labels)
- Modelled (using a variety of data points/ indicators excluding claimed information to best guess what users look like or are likely to do or be interested in)

Audience identifier:

- Cookie
- Device ID
- Unique identifier/ Logged in user
- Relationship:
 - 1st Party
 - 2nd Party
 - 3rd Party

An ad tech supplier such as a DSP will have access to many different 3rd party data providers through a data exchange, with a declared segment name, size of audience and cost. This is generally standardised across all major ad tech suppliers with very little differentiator between vendors. Ad tech suppliers in OMGA's experience will try and source exclusive or preferred 2nd party data to give some type of competitive advantage in market.

Ownership and control of 1st party data sets the largest differentiator in market between ad tech suppliers. Generally, 1st party data segments can only be used in technology and

platforms under the same ownership as the data provider, such as Google, Amazon & Facebook. It is common that there is no direct cost of these data segments passed on to the advertiser.

There are also more specialised ad tech suppliers who will offer access to specific audience segments for a set use case, such as a mobile location DSP which offers the ability to target segments based on a user's location history.

How data assists ad tech functions

The use of audience segments is one of the key pillars in using technology to transact media. The ability to minimise media wastage through more precise audience targeting is seen as a powerful tool in improving media efficiency and effectiveness of campaigns. On a very basic level audience segments can either be used to specifically target or exclude within a campaign.

As the effective use of cookies declines, ad tech providers are looking at differing methods to track behaviours of a user. Predictive modelling, using a user's signals to predict the identity of a user, is the current most popular method. This is important to advertisers so they can accurately measure the outcome of activity and the performance of the digital media. As an example, this could be the measurement of an online transaction such as a sale.

Other participants in the data supply chain relevant to the supply of ad tech services or ad agency services

Audience segments and availability of differing data types is an important factor when deciding the choice of ad technology by advertisers and agencies offering this service. As mentioned in response to question 15, ad tech suppliers will use their data offering as a differentiator in market and when ownership/control sits within the same entity this is then generally exclusive within the environment they control. An example of this would be the use of Google Affinity, Google Interest and Google Demo segments, which can only be transacted within Google Ads and DV360, or Amazon segments within their own DSP.

When choosing data providers which operate outside of an ad tech partnership, OMGA has chosen not to acquire data providers, but rather evaluate providers on a market by market basis to understand which are most appropriate for our client needs.

9. Auction and bidding process

OMGA's answers on the auction and bidding process related to:

Question 25: *Are there any features or aspects of current auction or bidding processes that you consider may have the potential to preference any particular supplier of ad tech services? If so, please provide examples.*

Question 26: *Do you consider auctions and bidding processes to be run fairly for all market participants?*

Question 27: *How does the ad tech supply chain differ (if at all) for display ads served on desktop browsers, mobile browsers, and mobile apps?*

Question 28: *How does the ad tech supply chain differ (if at all) between real-time bidding, programmatic direct, and private marketplace transactions?*

Question 29: *For advertisers and ad agencies:*

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.)?*

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

The programmatic auction is a complex machine and the market generally operates on a 1st price auction model versus a 2nd price auction (that was used historically). This fundamental change, essentially you pay what you bid when you win the auction, versus \$0.01 more than the 2nd highest bid, has meant far greater reliance on technology to determine the optimal bid submission to win an auction. In theory, a full stack solution that operates both sides of the auction would have the ability to oversee all transactions giving them more insight into their bidders decisioning. Hypothetically, if a DSP knew that a \$5.25 bid was submitted by a third-party bidder it could increase its own bid to \$5.26 and win that auction.

The introduction of first price auctions and header bidding allow publishers to maximise yield from buyers by giving all supply partners equal opportunity to win an impression, and algorithmic bidding allows buyers to try and bid the optimal amount needed to win a given impression in-line with their KPIs. In theory, this is a sound methodology for delivering a fair auction assuming that all partners are working solely to deliver value for behalf of their client. It is unknown to OMGA if any DSPs are decisioning based on other factors that would compromise an auction.

Generally, we see more network models operating in app environments bringing together scale via app groupings from Software Development Kit (SDK) integrations. However, the ability to curate PMPs direct with publishers that have app inventory is available for premium app supported content. The ads.txt initiative allows for buyers to determine which SSP partners are approved direct sellers or resellers. This allowed buyers to only buy from approved vendors and cut-out non-approved resellers but was limited to web-based sites. Since then app-ads.txt has been rolled out to give greater transparency into the supply chain on app inventory.

Generally, the main variances between PG, PMP & open auction are the following:

1. Lower DSP platform fee associated with Programmatic Direct versus PMP or Open Auction. As a market example, PG may have a 5% tech fee rate, whilst Open Auction & PMP would generally have a 10% platform fee. Tiered platform fees also apply to publishers.
2. PG will sit higher in the publisher ad server priority. Given that the buy is guaranteed there is less decisioning and flexibility available in favour of guaranteed delivery. Publishers can control priority of their PMPs based on their commitments to buyers within their ad server.
3. PG CPM rates are fixed, as are some PMPs. Open Auction buying will always be a dynamic CPM.
4. PG & PMP deals negotiated directly with the publisher ensure no resellers or intermediaries are involved in the supply chain.
5. Open Auction is programmatic buying in its truest form and gives buyers the greatest opportunity to deliver audience driven, scalable buying at the most competitive pricing. However, it also offers the greatest opportunity for bad players to insert themselves into the supply chain if the correct governance is not implemented.

Please see a list of parameters that enable greater insight in the auction:

- Win Rate
- Clearing Price
- Bid Price
- Highest Bid Price
- Second Highest Bid Price
- Floor Price
- Loss Reason
- Internal Auction Win/Loss
- Internal Auction Win/Loss Reason
- Exchange Implementation Type
- Deal ID
- Auction Type
- Ads.txt Certification
- Sellers.Json Certification

This data is available in varying degree but almost unanimously held by the SSP platforms, and not necessarily widely available to agencies or advertisers. The amount of data needed to ingest, store and analyse all auctions a buyer takes part in to make actionable recommendations is not something that can be done in real-time manually, which has led to the use of machine-learning to deliver algorithmic decisioning.

10. Mergers and Acquisitions

OMGA's answers outline its view on Merger & Acquisitions these answers relate to:

Question 30. *Have any mergers or acquisitions provided suppliers with the ability to profitably raise prices or lower quality without losing customers, or made it more difficult for new companies to enter the market? If so, which ones?*

Question 31. *Has competition, or potential competition, in the supply of ad tech services been impacted by:*

a) acquisitions of start-up companies

b) acquisitions of new technology

c) mergers or acquisitions between companies at different levels of the ad tech supply chain?

If so, please explain how

OMGA believes that the ACCC does need to take a broader view of the businesses that hold significant market power, looking beyond display advertising ad tech to emerging areas that are upstream from display ad tech, that will create unavoidable business partners in the future. Examples include customer data, customer loyalty management, e-commerce and data visualisation. In the future the platforms that support these areas may well decide what inventory should be bought by an advertiser.

11. Supplier behaviour

OMGA's answers outline its experience of dealing with suppliers of ad tech and its own behaviour with advertisers. These answers relate to:

Question 32: *What is the extent of vertical integration throughout the ad tech supply chain? Has there been a trend towards more or less vertical integration over time?*

Question 33: *What are the potential benefits and risks of a more vertically integrated ad tech supply chain? Please provide estimates and examples wherever possible.*

Question 34: *Are any market participants tying or bundling their vertically integrated services along the ad tech supply chain, or preferencing their own ad tech services over those of their competitors, in a way that affects your ability to compete in markets for ad tech services?*

Question 35: *Are any market participants engaging in behaviour that serves their own interests rather than the interests of their customers?*

As the ad tech industry and individual vendors move through their maturity curve, OMGA have seen a consolidation of key players through M&A which has led to the forming of technology "stacks".

Although these technology stacks can still operate within their individual entities and integrate to other non-owned ad tech suppliers, full stack operation is preferred to maximize the full capability of the component parts. The market is continuing to move in this direction.

Potential benefits and risks of a more vertically integrated ad tech supply chain

Below are the benefits and risks of a vertically integrated ad tech supply chain:

Benefits

1. Improved workflow of campaign implements and sets up
2. Working across an ad server, DSP and search management tool, which are fully integrated creates an easier workflow for campaign sets and activations, reducing resource required to implement
3. Flow of audience segments
4. 1st Party data segments created within the platforms are easier to transact and use within a vertically aligned stack
5. Accuracy of reporting data
6. Performance based reporting across individual tech stacks are more accurate due to the sharing of tags and reporting data
7. Match rates within owned SSP

8. Higher response & win rates on non-guaranteed inventory when delivered within the same technology stack
9. Use of DSP second party data across owned exchange offers higher match rates than 3P exchanges
10. Programmatic Guaranteed
11. With publisher Ad Server and DSP on the same technology stack, inventory forecasting and delivery of programmatic guaranteed campaigns is far superior
12. Delivery of free solutions
13. OMGA have seen that full stack partners generally look to build out their own tools over third party, typically giving them away for free as a value add. This includes brand safety exclusions, contextual targeting solution, viewability targeting, etc

Risks

1. Possible increase in overall technology service fee
 - To maximize the value of a particular part of your ad tech stack it becomes more efficient to include other components from the same company. For example, picking a DMP and a buying platform from one provider.
2. Compromised auction decisioning
3. DSP prioritising delivery to its own exchange at the detriment of third-party exchanges and buyers
4. Inflated auction dynamics
5. With one stack seeing both sides of an auction, there is the potential to inflate bid prices and auction win rates to deliver value to the supply-side.
6. Functionality roadmap
7. Purposely holding back on product development on one part of the technology stack to encourage the use of additional tools
8. Prioritising own integrations over third party integrations

When ad tech providers bundle exclusive access to inventory or data, it prohibits the open choice of ad tech selection. An example of this would be the exclusive access DV360 has on YouTube inventory (other than access via Google Ads). If the objective of an advertiser were to have a unified buying solution, whilst also having the ability to place ads on YouTube, the only choice of technology would be DV360.

OMGA and its agencies have not experienced market participants engaging in behaviour that serves their own interests over customers.

With regards to terms and conditions of data collection management and disclosure, tighter regulation and the broadening of the definition of PII data could benefit the ad tech service providers who also have ownership of data collected through other platforms within their ownership structure.

This would impact the ad tech services, who do not have existing platforms to collect first party data at scale, to compete in the same market.

12. Agency behaviour

OMGA's answers outline how OMGA and its agencies conduct themselves in representing their advertisers' interests. These answers relate to:

***Question 37:** Are you aware of any ad agencies engaging in conduct that prioritises their own interests over the best interests of their advertiser clients?*

***Question 38:** Are you aware of any ad agencies not passing on discounts they receive or buying ad inventory at one price and selling it for a higher price?*

As outlined in Section 5 OMGA and its agencies overriding principle is to operate in our advertisers' best interests. This is the fundamental start point of OMGA's relationship with an advertiser. OMGA does not engage in conduct that prioritises its own interests over its advertisers.

As part of the contracting process discounts, rebates or other benefits are included by advertisers to be returned to them. OMGA views these discounts, rebates or other benefits as advertiser benefits and passes them from publishers to advertisers.

OMGA and its businesses do not accept free inventory for agency specific benefit or buy inventory and then sell it to advertisers at a higher price in a non-disclosed or hidden way.

Impact on competition in the market for display advertising

OMGA's answers outline its experience of competition for display advertising. These answers relate to:

***Question 40, 41,42,43,44, 45,46,47,48** which we have not listed due to their length.*

OMGA has answered question 40 in detail separately to the ACCC. Generally, OMGA would comment that while programmatic buying is an important way for advertisers to reach consumers, a large proportion of digital advertising OMGA buys for advertisers is direct to publishers.

Ad tech services

OMGA does not have any restrictive clauses with any supplier that affects our ability to use alternative suppliers. There is no commercial benefit to OMGA in the technology and data it selects for advertisers.

OMGA does negotiate preferred deals with suppliers for better terms for advertisers. All benefits are passed to OMGA advertisers.

In OMGA's experience, it is also possible and is a growing trend for clients to negotiate directly with ad tech suppliers, including Google. In many cases advertisers will pick a single or preferred provider for simplicity and best price. In these instances, OMGA agencies operate under the advertiser's contract to execute the advertiser's media buying.

Ad agency services

OMGA's is owned by Omnicom Inc listed on the New York Stock Exchange. OMGA reports to Omnicom Head Office in New York via Omnicom's APAC regional hub in Singapore.

OMGA has the capability to buy programmatic media inventory through expert staff who work within OMGA's agency teams. This is a transparent integrated model centred on OMGA's advertisers. In OMGA's experience, advertisers expect OMGA's programmatic capability to be used where appropriate, this is reflected in the advertiser tender process, and tested in ongoing campaign performance analysis and audits. On occasion, advertisers will have their own programmatic capability, or a different provider. In these cases, OMGA works with the advertiser's designated providers as requested.

Clients prefer and OMGA recommends the use of its programmatic capability to advertisers for a number of reasons. This approach ensures advertisers have a cohesive single view of activity and how it interconnects across channels. For example, digital video and linear TV to maximize reach rather than a disconnected approach with no view on how the two interact.

As question 40 outlined, a significant proportion of OMGA's advertiser spend does not go through programmatic buying options. This highlights that OMGA recommends programmatic options to advertisers when it will deliver advertiser benefit, otherwise OMGA continues to trade directly with publishers.

If a publisher offers free inventory to OMGA or its agencies the publisher is directed to apply the inventory at the advertiser level so that advertisers and agency teams working on that advertiser's account can properly evaluate the value offered.

13. Satisfaction of market participants

OMGA's answer below relate to its satisfaction with the market participants OMGA engages
This answer relates to:

Question 47: *Are ad tech services, ad agency services, or display advertising services being provided to your satisfaction? Please provide reasons for your answer.*

OMGA is broadly satisfied with ad tech and display advertising services available. In our experience, most market participants work collaboratively to improve the transparency of the digital supply chain and its effectiveness.

In part, this is driven by necessity. The digital market is highly competitive, and advertisers will direct their business to agencies, ad tech suppliers and publishers that provide ever more granular data to verify an advertiser's campaign spend and its effectiveness.

If the industry does not deliver on this, then advertiser spend will shift back to direct buying of digital advertising or use other channels such as TV or Radio.

OMGA believe that only the market participants that deliver transparent efficient outcomes for advertisers will be successful over the long term and this is how a well-functioning market should operate.

The UK ISBA programmatic supply chain study underlines this point and OMGA believe many of the recommendations apply to the Australian market. All parts of the UK market collaborated for the report and it has shown that while the industry has come a long way there are still areas that need more work.

The ISBA study also showed that there is a discrepancy between the demand and supply side when it comes to understanding their respective ad tech supply chains. On the buy side advertisers and their agencies have, over the last six years, reached an increasing level of granularity to understand their ad tech supply chains through clear contract permissions with ad tech and data suppliers and building expert capability.

More Australian publishers need to make a similar investment in time and capability to understand their supply chains and enable an end to end buy-to-sell side supply chain matching, for the benefit of the industry. This would enable Australia to lead the world on programmatic supply chain transparency for the benefit of all market participants.

At the same time as the above point is being pursued by publishers all market participants on the buy and sell side need to agree data standardization and governance policies to allow fast data matching. The AANA, MFA and IAB are already working to progress this in Australia and have a good track record of working together to provide the industry with useable outcomes. OMGA will continue to work with all market participants to further these goals.

OMGA has no further points to make in its written submission.