



12 May 2020

Ad Tech Inquiry
Digital Platforms Branch
Australian Competition & Consumer Commission
Level 20, 175 Pitt St
Sydney NSW 2000

Via email: AdTechInquiry@acc.gov.au

Dear Sir/Madam,

WPP AUNZ ACCC Ad Tech Inquiry Submission

WPP AUNZ welcomes the opportunity to make a submission on the ACCC's Ad Tech Inquiry Issues Paper.

This submission is made by WPP AUNZ on behalf of all its media buying agencies (referred to in the Ad Tech Issues paper as '**ad agencies**'). There may be instances where the operating model or issues are marginally different between the WPP AUNZ ad agencies, however, we have sought to put forward the predominant view. Where differences are relevant, we have noted this.

Our submission will cover:

- (1) Competitiveness in the ad tech market generally;
- (2) Competitiveness in the ad agency market and competitive drivers;
- (3) Overview of WPP AUNZ's ad agencies;
- (4) Role of data and how WPP AUNZ ad agencies use data;
- (5) Availability of information and pricing data;
- (6) Overview of how digital ads are acquired; and
- (7) Relationship between suppliers and WPP AUNZ ad agency clients.

We are aware of the submission of the Media Federation of Australia (**MFA**) into the Ad Tech Inquiry Issues Paper and support the views of the MFA. We have noted in our submission where WPP AUNZ ad agency operations or experience is aligned with specific submissions made by the MFA.

Our submission was prepared before we could evaluate the long-term implications of COVID-19. It is not clear if, or how, this will impact the long-term competitiveness of the ad tech market and the ad agency industry.

1 About WPP AUNZ

WPP AUNZ is a listed Australian company that is the parent entity for over 60 brands comprising media, advertising and creative, public relations, digital, events and production

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services. WPP AUNZ spans Australia, New Zealand and South East Asia. In Australia, WPP AUNZ employs 3,500 people and has offices in Sydney, Melbourne, Brisbane, Canberra, Adelaide and Perth.

Within WPP AUNZ sits GroupM, which is the umbrella company for most of the group’s media buying agencies. GroupM does not enter into contractual arrangements with advertising clients and does not purchase inventory from media vendors (suppliers). The GroupM agencies, the largest being M Media Group Pty Ltd (**Mindshare**), Mediacom Australia Pty Ltd (**Mediacom**) and Wavemaker Australia Pty Ltd (**Wavemaker**) (**GroupM Agencies**), separately purchase media on behalf of each of their advertising clients. The agreements for the purchase of inventory (i.e. advertising medium) exist at the agency level between a GroupM Agency and an advertising client.

WPP AUNZ also owns Ikon Communications Pty Ltd and Switched On Media Pty Ltd.

2 Efficiency and competitiveness of relevant markets

The information below regarding the efficiency and competitiveness of the ad tech market is relevant to Questions 1, 3, 4, 7, 43, 44 and 45.

2.1 Overview of ad tech services

There are a number of participants in the ad tech supply chain each providing different services. The competitiveness of the market varies at each level:

| | |
|--|--|
| Publishers | Highly competitive market. In the Australian market, there is a large portion of inventory generated from a core set of publishers (RealEstate.com.au, News Corp, Fairfax, Nine, Seven, Facebook and YouTube), however, the supply of inventory has a massive range of long-tail websites. This means there is high competition for a share of investment at all levels. |
| Supply Side Platforms & Exchanges | Highly competitive market. SSP’s and exchanges are generally global products of which features can be tailored to the geographic market although the functionality is very similar. For the most part, these companies will interact with inventory suppliers and DSPs, and in a handful of occasions, DSPs and the advertisers. By the nature of this interaction, WPP AUNZ ad agencies have little visibility into the operations of SSP’s, with inventory suppliers and DSPs likely to be better positioned to provide insights into pricing and feature competitiveness. |
| Demand Side Platforms | Highly competitive market. There are numerous companies who offer this technology and they are continually developing new features. This means an individual advertiser’s needs will determine which is the most applicable and competitive platform. |
| Ad Fraud and Verification | Moderately competitive. Whilst there are only a few companies in the Australian market offering these services, they are priced competitively, and each supplier constantly updates their product to find a competitive advantage. |
| Ad serving | Low competition. There are low levels of competition purely by means of having few companies offering this product. In the Australian market, the predominant companies are: Sizmek, Google, and Flashtalking. Each are priced competitively, but the core product offering is very similar. |

Ad Agency Services

Highly competitive market. With a vast range of digital platforms being self-serve in nature, there is an abundance of companies offering these services, with an ever-increasing pressure on the fees charged by ad agencies. There are also moves by advertisers to in-house some of the services.

See Section 4.2 below for further details on the ad agency market.

Please refer to Appendix 1: Stack Comparison v1 (Sep 2019) for a visual summary of the different players in the ad tech marketplace.

Despite the competitiveness in the market, there are challenges for both advertisers and ad agencies. For example:

- *Range of feature sets:* ad technology can be challenging for buyers to assess as feature sets are not always easily comparable. The required expertise to assess individual needs against published or stated features often does not sit within individual advertisers, so agencies or independent marketing technology 'experts' are used to help navigate a set of advertiser requirements against a range of features. These features represent stated competitive advantage for certain ad tech service providers.
- *Supplier consolidation:* there has been increasing consolidation in the industry which has allowed more vertical integration. This is rarely across the whole supply chain, with integration predominantly within specialist areas. In our view, this has sought to improve the competitive position of industry participants by providing scale and product offerings.

Practically, this has meant that advertisers sometimes exhibit a preference to acquire services from businesses offering technology associated with the stacks used by that advertiser (conversely, some advertisers have a preference not to work with certain stacks). There are functional benefits to working 'on console' (ie. within a single stack). For example, data and segment quality is typically better when using a single provider's technology for DMP and DSP's. The switching costs associated with moving ad tech service providers, or the reduced operational efficiency of using multiple providers to maintain competitive tension, means that practically, the ability to switch providers may be difficult.

- *Pricing:* pricing structures for services varies amongst ad tech service providers making comparison difficult.
- *Buyer responsibility:* Given most ad tech service providers apply a self-serve model, there is a fair degree of responsibility placed upon the customer to extract the requisite value.

2.2 Overview of ad agency industry

The market for ad agency services, both at a local and global level, is considered highly competitive. There is strong competition across all types of agency services, with numerous agencies providing sufficiently diverse options for clients, particularly as it relates to digital advertising.

Apart from WPP AUNZ's ad agencies, based on the Convergence 2019 table, the other main ad agencies in Australia include:

- (a) OMD and PHD (Omnicom Group)

- (b) Carat (Dentsu Aegis Network)
- (c) UM and Initiative (Media Brands)
- (d) Zenith, Spark Foundary and Starcom (Publicis Media)

There are several reasons for the competitiveness in the ad agency market:

- **Low barriers to entry:** There are very low barriers to entry into the digital ad agency services market. Most digital platforms are self-service with no requirement for infrastructure beyond a computer, invoicing software, credit card and internet connection. With such a low barrier to entry, there are countless businesses offering digital ad agency services – ranging from small to large. The scope of services increases with the size of the business, with small business servicing mostly search and social media, and expanding to large business servicing search, social media, programmatic display and video, publisher reserved display and video, partnerships, influencer, and technology strategy.
- **In-housing** - There is an increasing trend of “in-housing” which has seen internal advertiser teams executing digital ad agency services. As the MFA Submission notes (p14), the trend towards in-housing has been aided by the increasing number of self-service tools and services such as Google Ads, Facebook Business Manager, 9Voyager, Buy10 and News Concierge. The predominant scope of work includes search, social media, programmatic display and video buying. A hybrid model may be used where some services are in-housed and others performed by an ad agency – although this can cause a disconnect between the overall strategy and execution.
- **Pitch process** - Most advertisers participate in a regular agency/client pitch process when contracts are due for renewal. The pitch process usually uses a formal Request for Proposal (**RFP**) process which focuses primarily on price as the key factor with its procurement-driven decision making. The RFP outlines necessary commercial terms, including fee expectations. Fees are then estimated based on briefed advertising volumes across both online and off-line media.

As the MFA Submission outlines in great detail (p 16), the RFP process is rigorous, granular and exacting. External pitch and benchmarking consultants are often engaged to run, or have input in, this process and use their collective knowledge to push down ad agency fees further. The process is very time consuming and can take months to complete (even where the ad agency is not successful).

- **Balance of power** – large advertisers hold the balance of power in the relationship with ad agencies. Ad agencies typically have to accept the terms offered by large advertisers as part of the RFP process with limited ability to negotiate. Many advertiser contracts are based on template contracts produced by advertiser representative bodies such as the Australian Association of National Advertisers (AANA). These terms typically include non-exclusive appointment, ability to terminate contracts without cause and 2-year contract terms. There is little ability for ad agencies to increase prices during the contract term.

There are several industry associations that work to harmonise the approach/requirements of advertisers and have a consequential impact on agency conduct, including the AANA and the Association for Data-Driven Marketing and Advertising (ADMA). They seek to do this by encouraging adoption of various codes of ethics and practice, model agreements, complaint handling processes, and engagement of stakeholders and government.



3 Overview of WPP AUNZ's ad agency services

The below information regarding WPP AUNZ's ad agency services are relevant to Questions 4, 7, 8, 9 and 44.

WPP AUNZ ad agencies offer a full range of services to clients encompassing strategy, media planning, media buying, content creation, data analytics and digital media services. The exact services provided differs from client to client depending on the internal resources of the client, the budget and campaign objectives.

WPP AUNZ ad agencies are committed to delivering transparency and value to clients. Ad agency services are valued based on delivery or output. This is achieved through various means including:

- **Client driven outcomes** - typically our clients set the target outcome they are looking to drive. For example, a sale, sign-up, particular page view or a measurable change in awareness or consideration. Clients will normally determine the acceptable cost of that outcome, based upon their business objectives. Clients may also confirm a "black list" (sites on which they do not want their advertisements to appear, or subject matters that they do not want their advertisements to appear against), or a "white list" (a limited set of sites on which they are happy for their advertisements to appear).
- **KPIs** – KPIs are set based on the outcome and cost. Some client contracts include a performance-related bonus or malus against key performance indicators (KPIs).
- **Campaign metrics** - a series of metrics are used for campaign optimisation. These metrics may be simple actions that can be tracked online in real time (e.g. test drive requests submitted for an automotive client) or proxy metrics for a more considered purchase (e.g. key mortgage related pages visited in a particular order for a financial client).
- **Costs pass through** – GroupM media and technology costs are onward charged to the clients on a pass-through basis.
- **Client selected platforms** – many of our clients have their own agreements with ad tech suppliers. We are happy to work with our clients preferred suppliers to deliver value to our clients.

The majority of WPP AUNZ's ad agency clients, both local and global, participate in regular pitch/RFP processes. The MFA Submission sets out in detail the implications of the tendering process to ad agencies (p16). The RFP process is detailed, price driven, time consuming and an ongoing expense to not only win new business but also retain existing clients. Our ad agencies have little ability to influence the commercial terms, which demonstrates that the balance of power in the relationship remains with advertisers. With most client contracts having terms of 2 years or less, appointments being non-exclusive and the ability for many clients to terminate without cause, advertisers can exert substantial influence on obtaining better terms from our ad agencies. Overall, we have found the fees charged to clients has decreased but the range and quantity of services has increased putting downward pressure on ad agency margins.

In relation to GroupM agencies, the global group may negotiate contracts with clients on a global scale, but the local agencies will enter into individual agreements with Australian client entities to implement that global agreement. This is usually at the client's instigation where they wish to enter global arrangements and negotiate the terms centrally (and usually with more favourable terms for the client). The process is normally conducted via an extensive tender/RFP process and may cover 50+ territories.



Many clients hold WPP AUNZ ad agencies accountable to committed outcomes, perceived value and pricing by undertaking regular media audits. These are often conducted by specialist media advisers such as Firm Decisions. WPP AUNZ ad agency service fees are also commonly benchmarked against industry wage levels by third party auditors.

In addition to the ad agencies, GroupM also has specialist business services units such as Finecast and Xaxis. Finecast offers clients the opportunity to target their advertising to specific audiences on addressable TV. It is a bundled product including both audience data and the underlying media. Xaxis uses both audience data and artificial intelligence to deliver specific outcomes required by advertisers e.g. to drive traffic to an advertiser website to complete a specific action such as downloading a product brochure. Xaxis is also a bundled product which includes underlying media. These business units are what we refer to as proprietary trading businesses. They acquire the data and media at their own cost and sell them as part of their overall services. Client's wanting to purchase these specialist services agree in writing (in a document we refer to as an "opt in") that they can audit the performance of the services but will not see the underlying costs components.

4 The role and use of data

The points below regarding the role and use of data are relevant to Questions 12, 13, 15 and 16.

4.1 Role of data in the ad tech market

Data plays an important role in the ad tech market. The automation of the buying and selling of digital media enabled through ad technology is made especially valuable to advertisers because it can be optimized by evaluating a range of data generated through the transactions.

The types of data that are of value varies depending on the specific area of ad tech in which the service provider operates:

- Demand side services – data relating to inventory, pricing, audience segments and technographic is of value; or
- Supply side services – mainly focus on data that is useful for yield management, verification, site enhancement and product enhancement.

For most service providers, some form of data is a core function of their business: some are specifically based around the collection, aggregation, interpretation and facilitation of data (e.g. data brokers, DMPs), for others it is a necessity to reference data in the functionality which exists through their service (e.g. DSPs, SSPs).

Data can inform industry participants about:

- (a) Anonymised browser attributes - including previous online behaviour or predicted offline behaviour, information about a user's web-device (TV, Mobile, PC), or whether a user has interacted with the ad (or a subsequent webpage);
- (b) Inventory attributes - page, site and section an ad appears within, or details about the ad format itself including its sequence within a pod of ads, its size or length. Other inventory attributes might give some indication of brand suitability based on sample data and predictive models, or the ads performance attributes including whether it was viewable. It may also include price information;



- (c) Performance data - this is used to monitor and optimize performance of various campaign processes and may include attributes such as consumer segment sizes, bid or win rates, click through rates or conversion rates.

While data has always been used in the media purchase process, the new types and sources of data are critical in understanding and capturing the value of every browser impression, not simply inventory in aggregate. The algorithmic, systems-driven buying of media requires data to discern which impressions to buy and which impressions to not buy. Ad impressions are a count of the total number of times digital advertisements display on a viewer's screen within the publisher's network. Performance data is used to provide buyers and marketers with accurate and real time view of leading and lagging performance indicators, enabling campaign optimization to take place. A key purpose of ad tech is to deliver impression level transparency to buyers, real time feedback to marketers and an improved compelling ad experience for consumers.

There are numerous data suppliers relevant to the ad tech market, including:

- Research companies that assist in the decisions making process (eg Roy Morgan, Nielsen, SimilarWeb and Google) including media planning and targeting purposes;
- Publishers providing audience-related data e.g. site-based behavioral or demographic data;
- Storage and facilitation solutions for data e.g. data warehouses, data centres and cloud-based storage solutions (AWS, GCP (Google Cloud Platform), Microsoft Azure)
- Data management platforms - these are platforms usually contracted by advertisers directly to manage their own consumer data from visits to the advertiser website and other interactions with that advertisers' consumers, functionality within these platforms can enable the acquisition and use of second and third party data.

4.2 ***How WPP AUNZ ad agencies use data***

Data plays a core role in allowing WPP AUNZ ad agencies to carry out and supply their services. This is more critical in digital media than more traditional media given the substantial choice in platforms, inventory, channels and technology.

WPP AUNZ ad agencies use a range of data in the provision of its media planning and buying services. For example, audience segments, pricing, targeting and re-targeting, insights generation, analytics and measurement techniques.

Data may also be provided to clients as part of our service offering – either at no charge or an additional charge depending on the information required:

- Rich planning and audience data to help ensure media plans are well configured to deliver against objectives;
- Real time campaign performance data providing marketers with updates on campaign performance and key recommendations on adjustments in strategy;
- Real-time media cost or results transparency, depending on the nature of the service;
- Market trends, benchmark guides and other thought leadership information that give marketers practical insight into specific dimensions of the ad tech ecosystem;
- A data matching service through our light DMP product;



- Data analytics services.

This data is sourced from a variety of suppliers including:

- (1) *DSPs and ad servers* – this data is generated in relation to each individual impression served during a client campaign;
- (2) *Client data* – data owned by clients and collected from client websites regarding consumer engagement (eg served impressions). It is generally collected using cookies, pixels or similar technology;
- (3) *Data management platforms* – the main providers used by WPP AUNZ ad agencies are Salesforce, Adobe and Lotame.
- (4) *Data brokers* – data brokers are what we would term ‘data aggregators’ or ‘third party data providers’. These providers are valuable by allowing data to be quantified and measured from a campaign performance perspective and assist to drive business outcomes for clients. The main providers used by WPP AUNZ ad agencies include Data Republic, Quantum, Experian, Audience 360, Roy Morgan and Acxiom; and
- (5) *Ad measurement and verification services* – these services operate in a reasonably confined space: tracking, measuring and verifying similar/identical inventory with similar/identical metrics. The main providers used by WPP AUNZ ad agencies include Oracle (Grapeshot & MOAT, Doubleverify, Integral Ad Science), comScore, Google and Sizmek. Some providers offer additional functionality, such as reporting capability, data access, support levels and integrations, at a higher cost. Each customer is able to assess the needs of their business and make an objective decision based on the offerings available and price/cost associated.

Personal information is generally not used by the WPP AUNZ ad agencies when providing services (contractually we may even be prevented from collecting PII about client customers). We are more likely to use sales data instead of specific customer data when undertaking analytics. If there are instances in which personal information is used, for example, where there is a vertically integrated digital offering, generally we prefer not to handle any personal information. Instead, we use ad tech platforms that utilise their own measurement methodology and we only have visibility over the output. The service provider may be asked to encrypt the personal information prior to our agencies handling the information to ensure it is completely anonymized and contains no personal identifiable information.

GroupM does have its own data platform called mInsights which collects impression level data using its own cookies to build user profiles and combines this data with third party data. It also enables advertisers to onboard their own website data and build audiences for use in digital advertising. mInsights only receives pseudonymous personal data and is built to privacy by design principles to give the highest levels of protection to advertisers’ consumer data and other data within the platform.

5 Availability of information and transparency of pricing

The points below regarding information and transparency of pricing are relevant to Questions 18 and 20.

5.1 Availability of information

The exact information required when buying display advertising inventory will depend on the method of purchasing the inventory. The information required may include:

- (1) *Media Quality*: Brand Safety Contextual and Content related, URL transparency, Viewability, Detected Fraud (IVT), placement specific (size position), what other ad



units are on the same page, what is the context of the inventory, inventory availability, audience segmentation, visibility of publishers (depending on client for Programmatic and Ad Networks).

- (2) *Pricing*: cost, buying models available.

Some of this information is provided by publishers, DSPs, social platforms and search platforms. WPP AUNZ ad agencies also rely on paid subscriptions to other tools and manual research to obtain the remainder of the information required. This increases the cost and time to make an informed decision. If we cannot obtain all of the necessary information, we will generally not procure the inventory.

5.2 **Pricing information**

Pricing information is generally available from ad tech service providers although sometimes our ad agencies must have a 'seat' or existing agreement with the ad tech service provider to obtain this information. There may also be other factors that will influence the ultimate price paid, for example spend commitments.

The availability of pricing information plays an important role in being able to make real-time decisions on what inventory to purchase for clients. It is important to be able to connect the pricing information data feed from the ad tech partner/DSP into an online dashboard via API.

It is usually possible to determine how much of the total ad spend is retained by the ad tech provider. This information may be available on request, in automated reports or online dashboards.

6 **Acquisition of digital advertising**

The information below regarding the ad tech supply chain is relevant for Question 28.

There are some differences between the features of purchasing digital inventory via real-time bidding, programmatic direct and private market place transactions:

- (1) **Real-time Bidding**: real-time bidding (RTB) is a transaction method used in either open exchange bidding or private marketplaces (although this is not the only way to transact in private marketplaces). Generally, RTB has the lowest quality and cheapest inventory. Currently the open market is blended between first price and second price auctions:

- *Second Price Auctions*: Second price auctions were previously the most popular standard for programmatic RTB pricing. The bidder with the highest bid would not pay their bid price but instead would pay a price set at 1 cent more than the next highest bid. It allows buyers the security of knowing no matter your bid, you will only be charged 1 cent more than the market is willing to pay. However, there are flaws in this system where it is easier to conceal fees taken by the supply chain. Progressively over the last 3-4 years, publishers have been moving to a 1st price auction system.
- *First Price Auctions*: First price auctions are now the norm for most major publishers. Most SSP's have removed buy side fees. While this move has been promoted as essential to creating transparency in the supply chain it does create practical challenges for buyers. If you maintain your standard bidding practices you may end up spending more despite saving on seller fees. Most DSP's responded with introducing bid shading technology which could use historical data to predict if you are about to bid too high and artificially reduce (all DSP's have their own bid shading methodologies).



- (2) **Programmatic direct:** This process provides automated access to publisher's inventory at a set cost, without any volume commitments. Advantages of this model include:
- (a) access to more premium inventory;
 - (b) preferred and guaranteed pricing models
 - (c) higher viewability;
 - (d) access to more bespoke ad spots;
 - (e) individual cost of an impression may be higher (given the biddable nature of programmatic buying), however, typically the cost per outcome for a client is lower given the reduction in media wastage through duplication and un-targeted media delivery.

These deals are generally negotiated by a DSP or SSP to service advertisers. Again, this is actioned via a DSP. For Programmatic Guaranteed (**PG**) deals, there are several differences in capabilities of both SSP's and DSP's. Some SSP's have been able to support PG while others have not or have their own workarounds that do not work seamlessly with DSP's. This influences what platforms advertisers choose to use from both a supply and demand perspective if activating PG deals is the goal.

- (3) **Private MarketPlaces:** Private Marketplaces (**PMPs**) are negotiated and purchased directly with the inventory supplier at an agreed rate, although the process of delivering the inventory and creative is serviced through a DSP. The main difference between PMPs and Programmatic Direct is that the volume is not fixed. Advantages of PMPs include:
- (a) the best access to inventory with specific partners with the tradeoff of large spends;
 - (b) first access to top inventory only after Direct bookings (and sometimes even prioritized before Direct booking).

There is little optimisation that can be provided by agency or advertiser. It can be RTB based pricing or rates can be fixed. Publishers can also control floor prices to ensure they do not sell their inventory for below a certain rate. PMP capabilities can vary SSP to SSP but capabilities are generally comparable. Likewise, all DSP's have similar capabilities in terms of accessing and bidding on PMPs.

7 Relationship between suppliers and WPP AUNZ ad agency clients

The points below are relevant for Question 43.

Many ad agency clients have direct relationships with ad tech service providers. The advertiser's spend commitments will impact on the pricing and associated services (eg form of support, data access, technology access, data usage or other areas of benefit) that can be obtained directly with ad tech service providers. Smaller advertisers may find it more difficult to obtain advantageous benefits.

Where advertisers' do have direct arrangements with ad tech service providers such as Google and Facebook, these tend to be clients within sectors that have large amounts of fast moving, first party data such as travel sites and financial. The move tends to be driven by the advertiser's desire to shorten the gap between data generation and data application in a



controlled and secure fashion given the commercially sensitive nature of real-time transactional data.

While we expect to see this trend continue, we do not believe that advertisers' will see this as a choice of buying direct "or" through an agency, but rather buying direct "and with" an agency. Agencies will continue to provide an agnostic viewpoint on the relevant merits of platforms, and provide insights and expertise on trading, technology and talent.

It is important to note that digital advertising platforms (e.g. Facebook, Amazon, Google) all sell the vast majority of their inventory via an auction. The selling price is therefore dictated by the market and traded in real time based on supply and demand. It is therefore not possible to influence the price at which inventory is sold; volume has no bearing on price and anyone in the auction has the opportunity to buy the same inventory. The platforms are all fiercely protective of their auctions and to the best of our knowledge none has ever allowed any commercially-driven compromise to the operation of an auction.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Linda Gough'.

Linda Gough
General Counsel & Company Secretary
WPP AUNZ Limited