

# Competition and Markets Authority: Online Platforms and Digital Advertising Market Study

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Consultation response from the

## Centre for Competition Policy

University of East Anglia, Norwich Research Park, Norwich NR4 7TJ

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Author:

- Dr Sally Broughton Micova, Lecturer in Communications Policy and Politics

This consultation response has been drafted by a named academic member of the Centre, who retains responsibility for its content.

As an academic research centre, we welcome explicit citation and sharing of this consultation response and the research cited within it. If you would like to discuss the evidence in more detail, please feel free to contact the centre or the named academics.

### The Centre for Competition Policy (CCP)

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## Response

I welcome the opportunity to respond to the CMA's Online platforms and digital advertising market study. I commend the CMA's initiative in this area, which is timely given the calls for action in a number of recent reports including one that Sabine Jacques and I published on [the playing field for audiovisual advertising](#).<sup>1</sup> My comment here is largely based on this report. It aims to briefly explain how certain findings in our report connect with the first and third themes of the CMAs study. As this is submitted electronically, I have included hyperlinks to any additional resources and evidence.

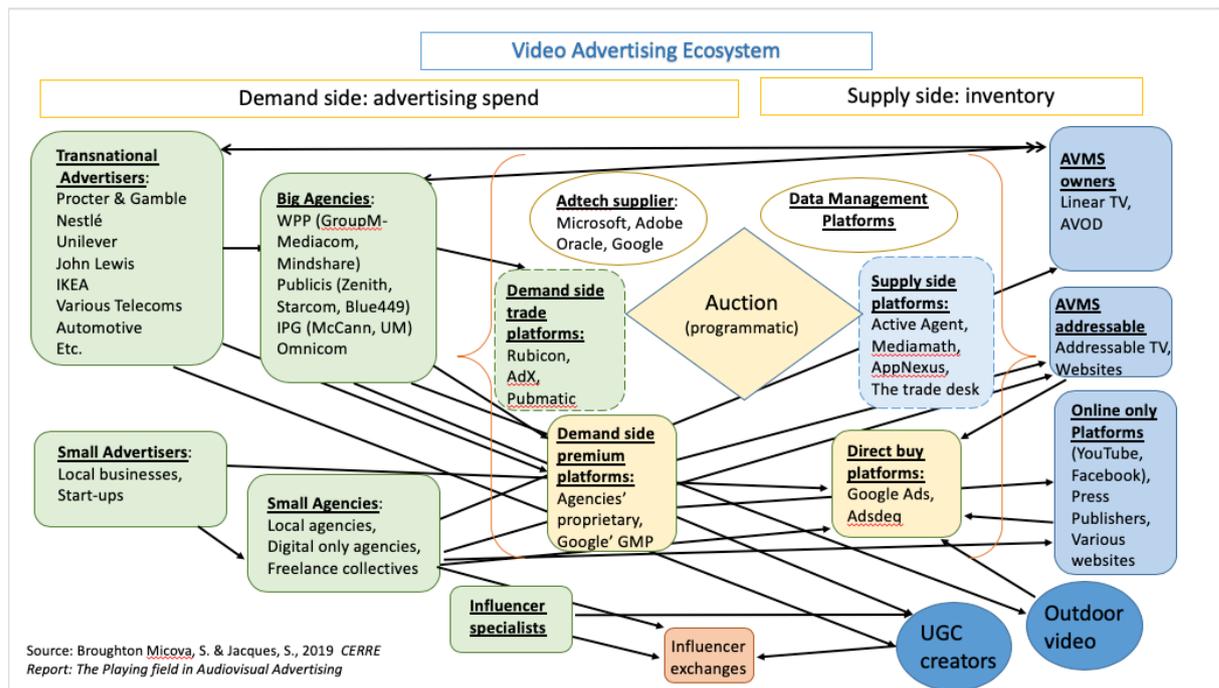
### Theme 1: The market power of online platforms in consumer-facing markets

1. It is very difficult and possibly unhelpful to separate out digital advertising from the wider advertising market. The first reason is that the potential harm to society from the loss of advertising funded content that the Statement of Scope identifies in paragraph 76(c) cannot be underestimated. The Cairncross Review, it mentions, highlighted the significant risks to the UK's press publishers. Ofcom's latest Public Service Broadcasting Annual Report, which includes the three advertising funded free-to-air broadcasters, showed an 18% decline in investment in original content between 2006 and 2016. (See the [2017 PSB Annual Report](#), page 24). Though audiovisual media services and broadcasters are adapting better than press publishers to the competition from online platforms, there are legitimate concerns about the growing share of advertising budgets going to platforms that do not invest in the production or commissioning of content.
2. The second reason it is hard to disaggregate the 'digital advertising' market is that the advertising sector is highly complex with many players offering a variety of advertising inventory and services. Some advertising is completely non-digital because it may be experiential, or 'below the line' such as sponsoring festival stages or handing out samples in a rail station or shopping centre. However, most companies that offer what might be considered offline advertising inventory also offer online inventory and are therefore integrated into the same ecosystem of services and intermediaries as those that offer online only inventory. Press publishers sell ads in printed papers and magazines, but also sell advertising on their websites and perhaps around their social media content. Broadcasters sell advertising on their linear channels and on their online catch-up services, websites and social media channels, and those that offer addressable TV advertising keep their data within 'walled gardens' following the model of the online only platforms.
3. Our research showed that media agencies still play a very important role in the advertising market and that direct relationships remain incredibly important, as much

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<sup>1</sup> Broughton Micova, S. and Jacques, S. *CERRE Report The Playing Field in Audiovisual Advertising: What does it look like and who is playing?* April 2019 Centre on Regulation in Europe (CERRE): Brussels [https://cerre.eu/sites/cerre/files/cerre\\_playingfielddigitaladvertising\\_2019april.pdf](https://cerre.eu/sites/cerre/files/cerre_playingfielddigitaladvertising_2019april.pdf)

between agencies and platforms as between agencies and broadcasters, press publishers, or other inventory suppliers. Direct relationships between inventory holders and advertisers and between the advertisers and various online platforms and ad tech suppliers were also very important, even though most of the money still flowed through media agencies. Though much attention is paid to real-time programmatic auctions, a great deal of advertising inventory online and offline is still done through direct buying or reserve buying of premium inventory, which may still use ad tech for its execution. Below is a representation of the ecosystem that attempts to capture its complexity.



- The Statement of Scope and the [recent study by Plum Consulting for DCMS](#) very aptly describe how data flows within this ecosystem and show how it is a source of market power. Data has always been the lifeblood of audiovisual advertising in the form of BARB audience measurement data and target group index surveys, and even the use of print advertising has been determined by circulation figures and data on the characteristics of readers. Such data was used for targeting consumers and for demonstrating the success of campaigns – usually the number of people reached, often that likely belonged to a particular demographic – and a lot of it was, and still is, available to both demand and supply sides. Much of the market power derived from data in today’s ecosystem comes from the ‘walled gardens’ and the fact that often those that produce the content and hold inventory do not have access to the data in the same way that they would for BARB data, for example.
- Our research found data serving as a source of power in the following ways:

- a. Post-campaign data from previous campaigns plays a big role in the planning process as media agencies use complex econometric analysis to help plan campaigns. These are directional tools rather than targeting tools.
  - b. Post-campaign data, data about audiences and individuals (such as BARB data, Facebook user data, Sky subscriber data, or other third party data), and often first party data from advertisers (such as from previous customers) are used for the more detailed targeting done within 'channels'.
  - c. Data is used by advertising inventory holders to tell the story of their offering to advertisers and agencies and establish the value and trust in their inventory. It is crucial in nurturing the direct relationships with large advertisers that remain very important.
6. Two contextual issues are important to understanding these as sources of power. Firstly, media agencies report that they are not choosing between online and offline advertising and describe the process of campaign planning as figuring out the right mix, almost like a recipe, that will achieve the advertiser's objectives. Usually a strategy includes a combination of 'channels' and for each of these a more detailed plan will be made. For example, a single campaign might include linear and on-demand TV, radio ads, YouTube, Google search, Facebook ads and dark posts, JCDecaux billboards, and native advertising in print and online versions of a magazine). Secondly, representatives from across the industry report that advertisers are becoming more driven by short term gains against key performance indicators and the need to demonstrate effectiveness to procurement teams and chief financial officers.
  7. The Statement of Scope specifically asks whether Google and Facebook are 'must have players' because of their profiling capabilities and the scale of their inventory. Our research showed that they are 'must have players' not only because of the profiling capabilities that they afford and seemingly infinite inventory, but also because their products are 'where the eyeballs are' and because they own many of the tools, the intermediaries and tech, in the ecosystem.

### **Theme 3: Competition in the supply of digital advertising in the UK**

8. The Statement of Scope asks: 'Whether the platforms' provision of digital advertising intermediation services could be used to protect their existing market power or leverage their market power into other parts of the supply chain'(74(a)). In our research a number of people interviewed from various parts of the ecosystem reported suspicion of exactly this kind of behaviour. They reported concern that the tools owned by the large inventory holding platforms favoured their own inventory and that their market power allowed them to set the terms of trade and the conditions of data use. This is not evidence that it is happening, but there was widespread suspicion among those we interviewed.
9. Determining the value that is captured by different players in the ecosystem is difficult and is likely not static. In our investigation, which covered UK, Belgium, France and Italy and included conversations with some global brands, both advertisers and

agencies reported that the kickbacks and rebates that have been part of the arbitrage system of media buying in traditional media are also common in the buying of online inventory. One representative of a large global advertiser stated:

*Yes, Google and Facebook give kickbacks and rebates, yes they do. Also, within digital media, the value chain is much more complex than in TV or outdoor newspapers because we have huge amount of technology intermediaries, demand side platforms, supply side platforms, data platforms, as well as different models within the media agencies themselves all taking a cut, most of which is not transparent, most of which is not accessible through conventional auditing. Also, cash rebates are, in a lot of, cases significantly higher in digital than they are in traditional media.*

Though rebates for volume and duration may be negotiated between agencies and broadcasters, the UK's share-based system and the industry-wide audited audience measurement (BARB) combined with various financial reporting requirements enable a certain amount of transparency as to where advertiser money is going. There is no equivalent for online advertising.

10. For several of those interviewed in our research from the demand side, the lack of transparency about money and data flows raised broad concerns about brand safety, efficiency and the sustainability of content producers. It was also reported that a great deal of progress has been made recently in addressing concerns about brand safety in online advertising and that new tools and their direct relationships with the larger platforms and ad tech companies are contributing to this.