

Ad Tech Braces for More Investigations Into the Programmatic Supply Chain

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Key insights:

A landmark report exploring how advertisers' payments are distributed throughout the complex ad-tech ecosystem has prompted much finger-pointing and some handwringing within the industry.

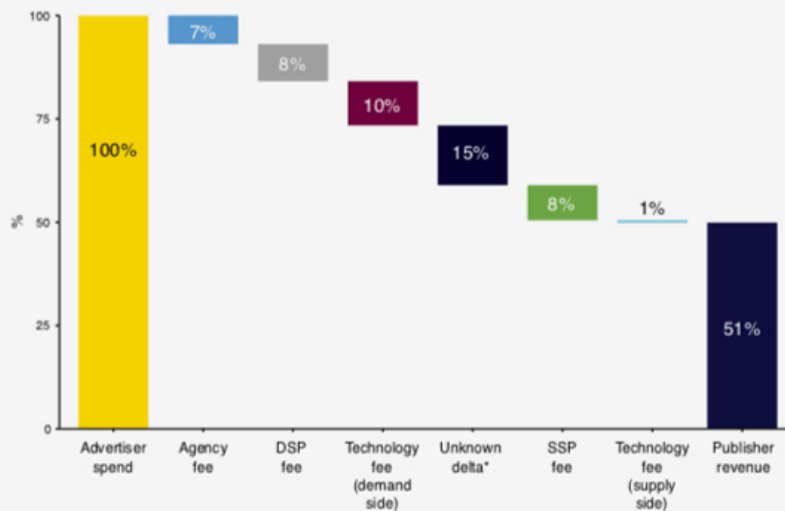
The Incorporated Society of British Advertisers (ISBA) trade body for marketers commissioned PricewaterhouseCoopers to audit more than \$120 million in media spend. The report, released last week, found that only 51% of the amount advertisers shell out for online ad placement actually makes its way to publishers. These findings echo earlier reports by its U.S. counterpart, the Association of National Advertisers.

The rest is pocketed by the middlemen of the media ecosystem; but given the vagaries of ad tech, 15% of advertiser spend—that's about one third of supply chain costs, according to the report—disappears into an "unknown delta," with the findings underlining the widespread lack of understanding of programmatic media trading.

Now, advertisers (and media owners) want answers, with the trade body appointing a task force to forge greater transparency, as well as to better ensure compliance with privacy laws.

The industry waterfall: analysing advertiser spend

In this study, publishers received half of advertiser spend. 15% of advertiser spend – the unknown delta, representing around one-third of supply chain costs – could not be attributed.



Time for a change—and the blame game

The report also found a “lack of understanding and inconsistency” among ad-tech suppliers regarding data capture, data sharing and storage, with PwC’s Sam Tomlinson highlighting that “this study represents the most premium part of programmatic” in his report notes.

Meanwhile, ISBA’s Abi Gibbons noted how this lack of consistency required cross-industry collaboration to achieve standardization, particularly in terms of contract arrangements, technology specifications and data sharing in the “waterfall” of programmatic media trading.

“The study reveals the depth of the supply chain’s lack of organization and complexity. A total of over a thousand distinct supply chains were identified,” Gibbons wrote in her report notes.

Industry sources told Adweek that the inability of one of the industry’s leading auditors (PwC) to trace one-third of all programmatic supply chain costs was indicative of a number of issues in the supply chain. These include complications caused

by the dynamic pricing of online ad auctions.

In addition, there are also discrepancies in the accounting practices of both sell- and demand-side platforms in terms of bid requests and impressions served, not to mention FX rates, i.e. currency conversions.

Jay Friedman, president of independent media agency Goodway Group, told Adweek that to interpret the findings of the survey as “49% of media spend is lost to the ad-tech tax” would be incorrect. “It’s a huge mistake to think of this as \$1 goes in, and then how much comes out,” he said. “People should think of it as \$1 goes to the publisher, and then what are the additional fees” for services such as ad serving, brand safety costs and enhanced targeting.

Accounting in the space has also become more complicated in recent years as publishers increasingly adopt first-price auctions to monetize their inventory, with the practice increasingly common after Google began to support it within the last 12 months (previously, second-price was its default).

Advertisers’ transparency concerns

PwC’s findings will undoubtedly reverberate throughout the industry, piquing the interest of procurement teams at large corporations, prompting them to request meetings with their marketing colleagues. Speaking at last year’s flagship ANA conference, Procter & Gamble marketing chief Marc Pritchard urged his peers to seek greater transparency—having previously labeled online media as “murky at best”—in their marketing supply chains, fueling in-housing conversations among marketers.

Speaking with Adweek prior to the publication of the report, one source from a major advertiser explained how their department began seeking more direct relationships with ad-tech suppliers. “I think there will be a situation where you need to outsource certain things,” said the source, who

requested anonymity due to their employer's PR policy. "You want to have the right tools ... direct relationships with the technology providers, because then you can make sure your dollars work hard."

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