

## **Reed Smith LLP: why advertisers must act to end \$230bn digital media corruption and waste**

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On May 6 ISBA released a summary of a nine-month investigation into digital media buying in the United Kingdom. The investigation, led by PwC, examined the waterfall effect of an advertiser's investment – the dilution of advertising spend before it reaches a publisher. Prior studies by the WFA (2014) and ANA (2017) found more than 50% of the media investment was paid to assorted suppliers between the advertiser and publisher. These reports prompted brands and publishers to demand transparency, accountability, and a stop to the waste and inefficiency. Their agencies and tech providers promised they were on top of the problem. However, three years since the ANA study, ISBA's analysis confirms that, at least in the UK, there has been little, if any improvement — digital fails to deliver. The supply chain's promises have not been kept.

### **The not-so-new findings**

PwC found that working media spend that actually reached participating publishers averaged 51% of the amounts paid by advertisers. After looking at the 267 million impressions served, only 31 million (12%) could be matched from the advertisers to the publishers, leaving 88% with insufficient data available, due to NDA's, vague contracts, and a host of other excuses — excuses that undermine the very premise of digital marketing accountability and transparency.

Out of the impressions that were traced end-to-end, recipients of 15% of the money paid by advertisers could not be identified. With Statista estimating digital spend in 2021 at \$479.2 billion, that means at least \$71.9 billion in digital media will be neither accountable nor measurable in any meaningful way. While it's reasonable to pay for legitimate services, the industry cannot justify spending more than \$230 billion without explanation or accountability. In particular, shareholders and other stakeholders may be quick to raise claims of waste and inadequate oversight, especially where advertising is mission critical. Spending \$71.9 billion with no idea where it is being allocated is sure to raise eyebrows.

### **Don't shy away from the facts**

But it's worse. The study did not include viewability, non-human traffic or brand safety. Nor did it delve into intra-company transfers where profits are further hidden. Factoring in these

considerations, digital dilution poses a far more sinister threat. C-suites and boards cannot ignore these warning signals. It is time to wake up and take meaningful steps to avoid waste by insisting on adequate controls. Failing to do so in the face of \$230 billion in questionable spending risks claims of shirking corporate responsibility and duties of oversight.

Before WFA published its report, one might have excused executives and board members since these industry practices had not come to light. But, after the ANA report, it became harder to justify and defend inaction. While some in the industry heeded the call, many chose to continue business as usual, allowing digital marketing to fail to deliver on its promise. The ISBA study is persuasive evidence that it is now harder to defend or explain continued complacency.

### **Demand transparency**

Advertisers must insist upon complete transparency and accountability throughout the supply chain. This is only possible with willing participants, so if any vendor refuses, find another vendor. Then be sure to scrutinise the vendors that you do use, by asking what supply chain partners are doing to vet vendors and ensure, in turn, that the vendors have reputable and efficient supply chain partners.

To improve transparency and reporting, ask the agency for a dedicated seat on a demand-side platform (DSP). Where possible, you shouldn't rely on intermediaries. Start owning the contractual relationships with DSPs and others in the digital supply chain. Consider following the example of one major advertiser that skips the DSP entirely and works directly with the SSP, increasing the working media impact.

Above all else, be unrelenting in requiring contractual compliance, effective reporting and audits to ensure that promises made are being honoured. While an expensive endeavour, you could consider taking programmatic in-house to address the lack of transparency and waste.

### **Watch what you are spending**

Think old school. Remember when advertisers routinely required bids from three vendors for work sub-contracted by an agency? Think about what that might look like in the digital world. Is the quest to have programmatic transactions occur in nanoseconds really worth losing 50% of a advertising investment?

Get guarantees from agencies about the percentage of cash invested that will, at a minimum, represent working media. Do not buy into the long tail in a quest for lower Cost-Per-Thousand (CPM) and do not measure value on a CPM basis. It is rife with bots, risks to brand safety and worse. Rather, establish a measurable objective and benchmarks, which can show improvement (or poor performance) over time.

Additionally, reduce the number of websites on which ads are run. On average, the 15 participating brands needed 300 distinct supply chains to reach the publishers and appeared on more than 40,000 websites. However, a number of experts have said there are only a few

thousand websites that are likely to be legitimate targets for advertisers, and it is ludicrous to think one needs 300 supply chains or 40,000 websites to deliver meaningful results.

### **Work together**

Ultimately, advertisers and publishers must work together to ensure digital delivers. It is everyone's responsibility to participate in industry initiatives to develop uniform IDs and agreements on permissions and access to data. At the solution's core, is the need for an industry that has been too complacent for too long, to demand a solution and take the lead in ending the obfuscation.

Cleaning up this mess will not happen overnight and agencies, as the gatekeepers to the ecosystem, need to be accountable for their role to push transparency throughout the supply chain. It is obvious that depending upon the supply chain to clean up its act is a fool's errand, and advertisers and publishers must take control now.