

A Study of Competition Issues in the Digital Advertising Market

1. Background of Study

Nowadays, consumers are used to obtaining all kinds of free-of-charge online services from digital platforms, such as search engines, social networks and other media, video streaming, news, email and electronic payment. Digital platforms offer consumers the aforesaid services through their websites and apps. To provide free services, platform operators need to monetize the personal information and attention of consumers. The most direct approach is to sell the web page space on their websites and apps to advertisers for conducting digital advertising, and the earnings from such sales are the main sources of revenue for the platform operators. Thus, these platforms become places where online services (including media) and advertisers (including advertising agents) are connected and the digital advertising market takes form.

Before the emergence of digital advertising, advertisers released advertisements through conventional media such as newspapers, magazines, radio, and television. The available advertising space and time slots from conventional media are limited and often unable to meet the needs of advertisers, thus, the advertising fees are on the high side. Also, the release (airing) of publications and programs from conventional media for general consumers is consolidated. Though media operators can reach specific audiences by using different formats or using different time slots, but their market segmentation ability is still limited and advertisers are unable to target consumers accurately.

Today, due to the development of the Internet and prevalence of smart phones and other mobile devices, digital platform operators can collect the personal information of consumers through all kinds of services they provide via their websites and apps without the limitation of time and space and sell digital advertising space to advertisers. Subsequently, advertisers are able to utilize the personal information of consumers they obtain to conduct more accurate targeted advertising to meet the needs of consumers when they use online services.

The digital advertising market has continued growing in recent years and the scale has gradually exceeded that of the conventional advertising market (OECD, 2020). However, due to many businesses (such as agents and intermediaries) entered into the relevant markets to offer digital advertising transaction services as well as the vertical integration of large digital platforms, problems arising from abuse of market power, conflicts of interest, self preferences, data use restrictions and lack of transparency have started to appeared in the digital advertising market. The competition authorities of many countries began to study issues associated with competition restraints in the digital advertising market, put forward

countermeasures (such as adding and amending regulations, and setting up designated agencies), and intervene in cases with negative effects on market competition. For this reason, it is necessary to review the study reports and cases from each major country in order to understand the developments of competition law with regard to related issues in the digital advertising market and provide the results to the FTC for reference when the FTC performs further research or implements its policies.

2. Study Methods and Process

Primarily, this study was conducted by using literature analysis in combination with case analysis. Study reports of digital advertising market released by major competition authorities were collected and sorted out while cases related to competition restraint and merger in the digital advertising market were reviewed in order to identify the policy and direction of administration of each major country towards competition issues in the digital advertising market and to come up with related suggestions.

The chapter arrangement of this paper is as follows: Chapter 1 is the introduction in which a brief description of the motive and study methods is presented. Chapter 2 is an overview of the digital advertising, including the development and types of digital advertising as well as targeted advertising. In Chapter 3, a summary of the digital advertising market is provided and the content covers the principal participants in the digital advertising market, the development of the digital advertising supply chain and the approaches of digital advertising transaction. Chapter 4 discusses potential competition issues in relevant markets. Cases related to competition restraints and merger are presented in Chapter 5. The conclusions and suggestions in the study reports from different countries are consolidated in Chapter 6. Chapter 7 is the conclusions and suggestions of this study.

3. Main Suggestions

(1) Platform economy is the result of integration of virtuality and reality. It has brought innovative products and services for consumers and improved the economic benefits of consumers. Therefore, when establishing related regulations or measures, competition authorities should take into account whether such regulations or measures might impede the development of the innovative business models of platform economy, obstruct new businesses from taking part in competition, harm the overall economic efficiency and consumer benefits, or bring negative effects on relevant markets, such as weakening the incentives for advertisers, platform operators and intermediaries to remain in the business.

- (2) Policies associated with digital advertising involve competition law, consumer protection, as well as protection of personal information and privacy. Moreover, the question about profit sharing between news media and large digital platforms which has drawn attention in recent years is also an important administrative issue in different countries. Hence, competent government agencies ought to take the range of division of labor and jurisdiction into consideration when engaging in interdepartmental coordination and cooperation on issues in relation to the digital advertising market. In order to assure the competent authority can effectively enforce its policies towards the digital advertising market.
- (3) At present, the platforms with advantageous status in the digital advertising market are mostly multinational companies, such as Google and Facebook. Their digital advertising businesses are all around the world, and no single country is able to escape from the influence of these technological giants. Therefore, the FTC should strengthen its communication and cooperation with the competition authorities of other countries in order to know better the law enforcement measures they take when encountering potential competition restraint conduct of large digital advertising businesses. Thus, the FTC will be able to deal with cases of competition restraint in the digital advertising market effectively in the future.
- (4) The various issues associated with digital economy (such as digital advertising and digital platforms) are the key targets of law enforcement for competition authorities in different countries today. Different agencies have continued to work out new administrative measures and directions. The FTC has to keep track of the new regulations, white papers and market research reports released by major countries to understand the developments of related issues. In addition, the responsibility of the competition authorities is not necessarily limited only to competition law enforcement. Some competition authorities are also consumer protection agencies simultaneously or concurrently serving as the regulatory agency of specific industries, such as the ACCC of Australia for instance. Hence, when referring to the administrative measures taken in other countries, the FTC should also consider the range of its jurisdiction and the development of domestic economy and industries.