

# Interim Report regarding Digital Advertising (Summary)

April 28, 2020



# Chapter 1 Digital Advertising : Overview

**Market Scale** : Upward Trend. Total Advertising Cost up to 7 trillion JPY (GDP1.3%) , Digital Ads Cost; over 2 Trillion JPY

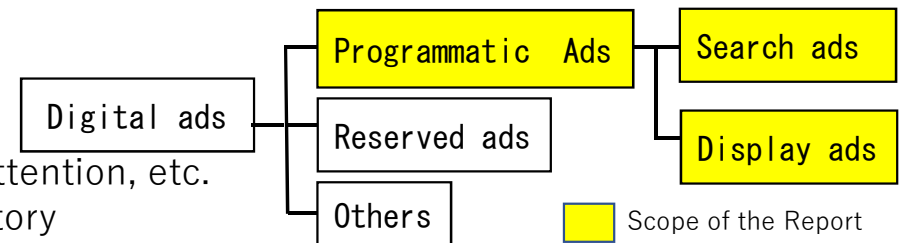
## Types of Digital Ads(ads which are distributed and shown on online browsers);

**Programmatic Ads** : Ads distributed through the optimization system that fits every ad to inventories based on user info (location, preference, etc.)

**Search Ads** : shown on Search result pages, which relates to search words, etc.

**Display Ads** : Distributes ads on inventories in website (including social media), which are optimized for users' attention, etc.

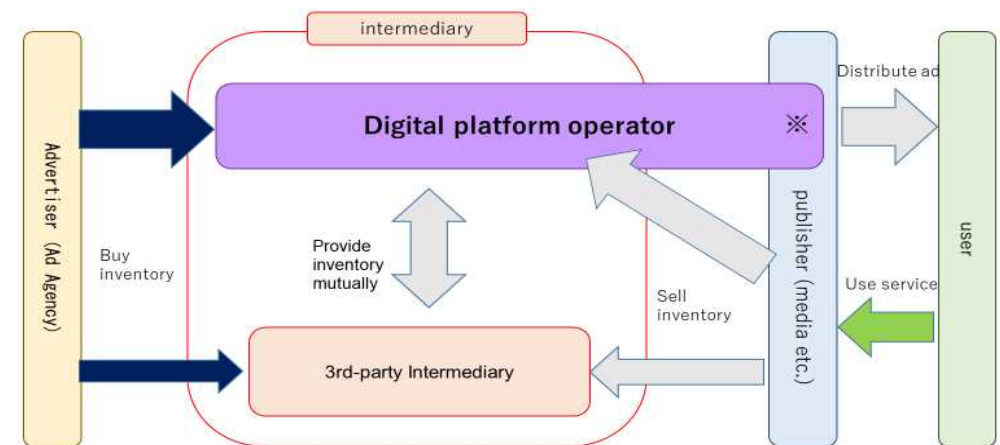
**Reserved Ads** : Distribute certain ads for particular inventory



**Advertiser (Ad Agency)**: Who advertises its commodities or brand, with ads expense. Nominating expected user categories or search words, etc.

**Intermediary**: Who operates ad tech (connecting advertiser who has specific target in its mind and publisher who owns inventories), and earns brokerage. Platform operators can provide arena where the ad tech works, and also involve in ad tech operation itself.

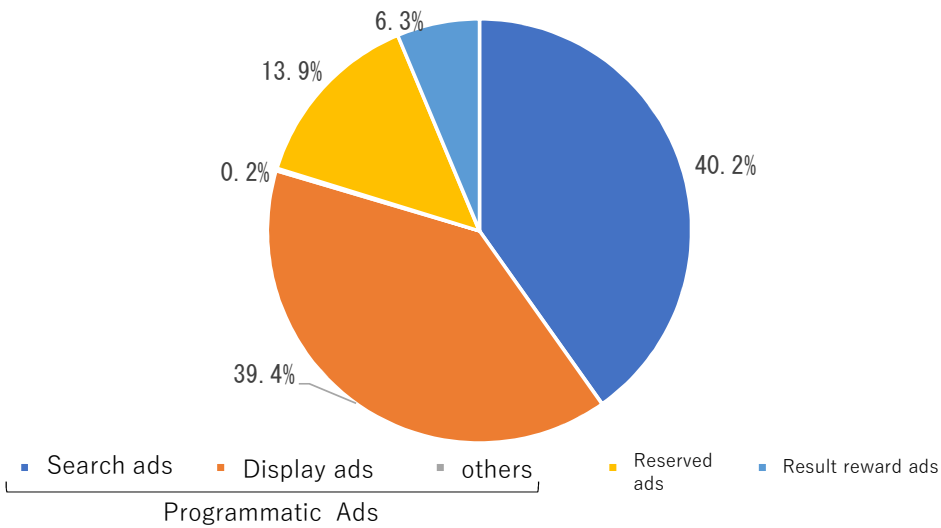
**Publisher**: Who owns inventories and earns revenue. In case of Search ads and social media ads, etc. platform operators occupy this position as well as an intermediary.



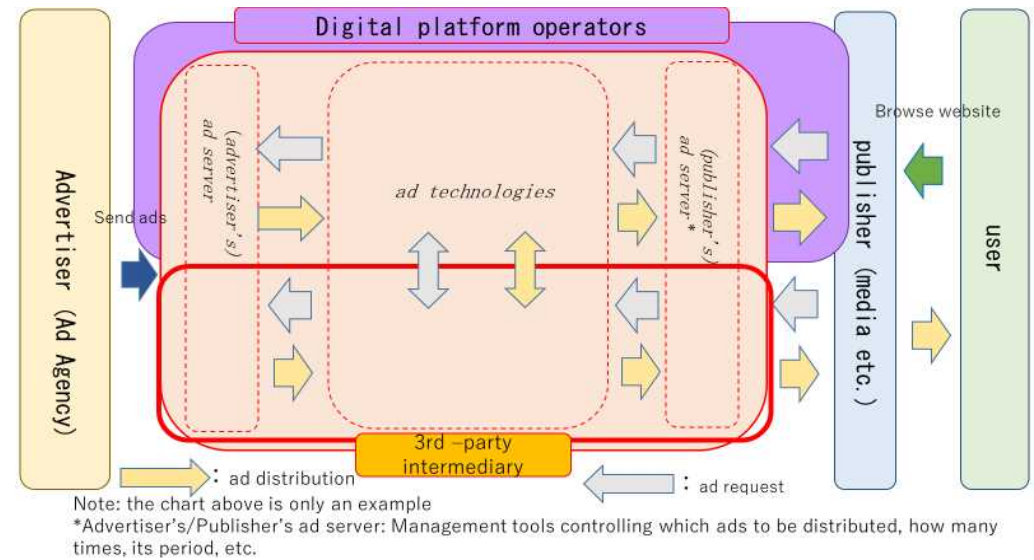
※in most cases, digital platform operators manage their own media and distribute ads to users

# Chapter 1 Digital Advertising : Breakdown of digital ads and Overview of Distribution Scheme

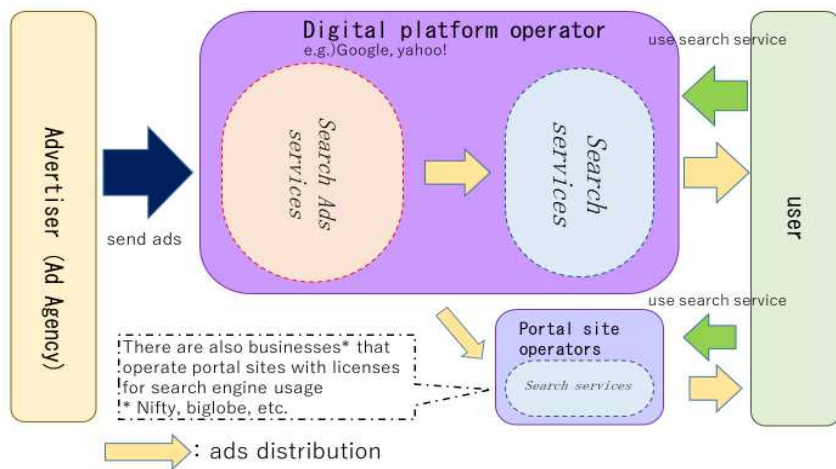
Breakdown of digital ads cost in Japan in 2019(%)



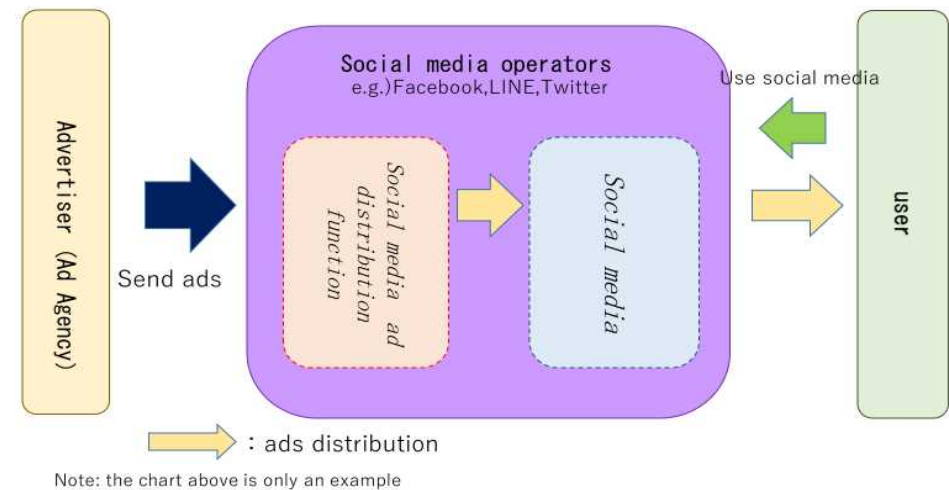
## ② Display ads(except for social media ads)



## ① Search ads



## ③ Social media ads



# Chapter 1 Digital Advertising : Overview of Digital Ads Contracts

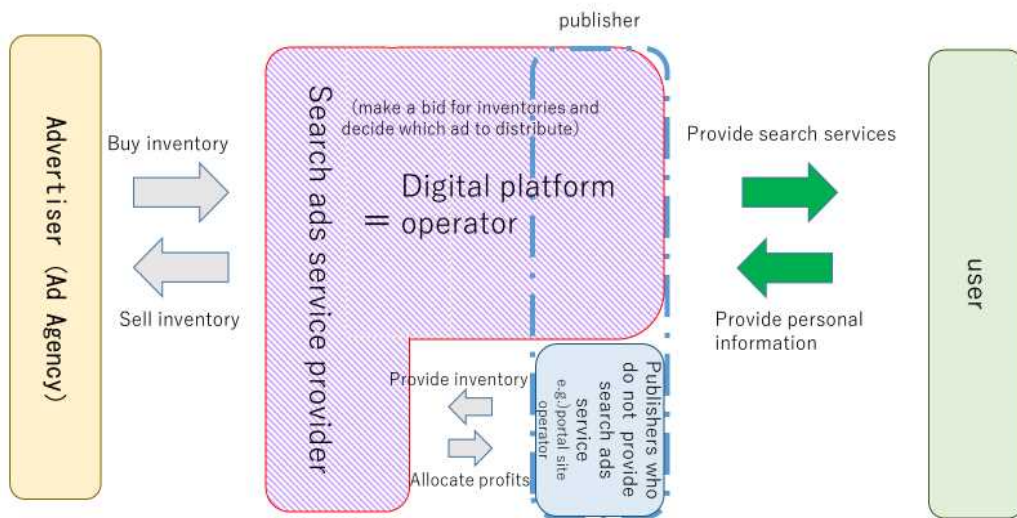
**Ad Network:** Who organizes network amongst publishers, in order to distribute ads in uniformed way.

**Ad Exchange:** Who provides arena to operate RTB (Real Time Bidding. Automated bid system, taken place when user accesses publishers' page, in order to determine which ads to be distributed to the publishers' inventory).

**DSP(Demand Side Platform):** Who participates RTB on the ground of advertisers.

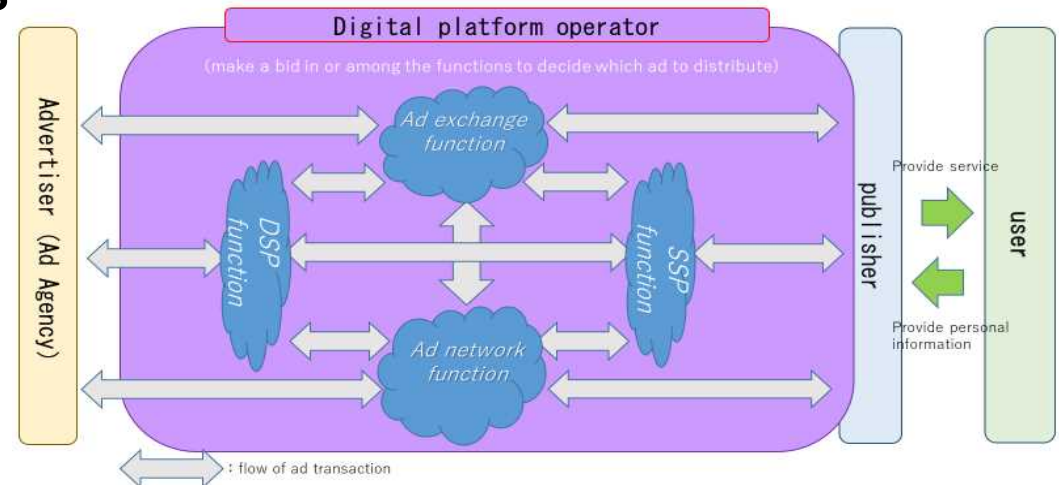
**SSP(Supply Side Platform):** Who participates RTB on the ground of publishers.

## ① Search ads

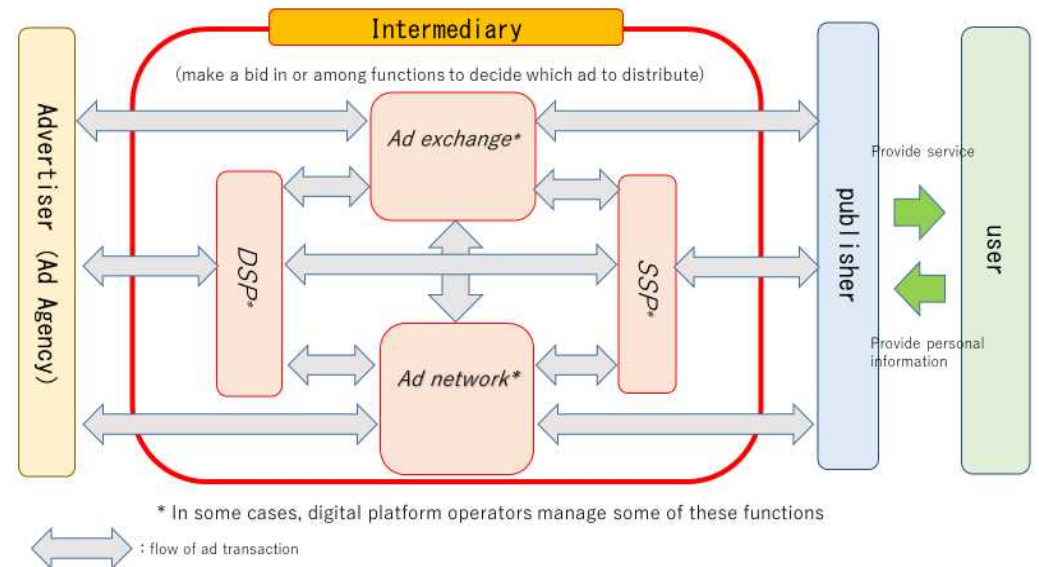


Note: in most cases, digital platform operators are also search ad service providers and publishers

## ② Display ads for digital platform operators' media



## ③ Display ads in which digital platform operators partly involved



# Chapter 2 Overview of the Questionnaires : Methods of the questionnaires

## 1. Questionnaires for businesses

Method : Web survey

Period : February 25, 2020 – March 13, 2020

Numbers of questionnaire sent : 790(Advertiser, Ad agency), 393(Intermediary), 924(Publisher)

Numbers of respondents : 105(Advertiser, Ad agency), 38(Intermediary), 174(Publisher)

Response rate : 13.3%(Advertiser, Ad agency), 9.7%(Intermediary), 18.8%(Publisher)

## 2. Questionnaires for consumers

Method : Web survey (outsourced)

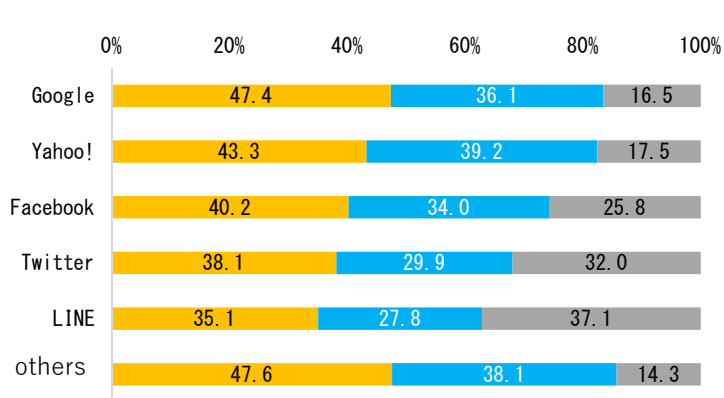
Period : February 25, 2020 - February 27, 2020

Respondents: 2000 each for search service user and social media user

# Chapter 2 Overview of the Questionnaires : Questionnaires for businesses (contracts)

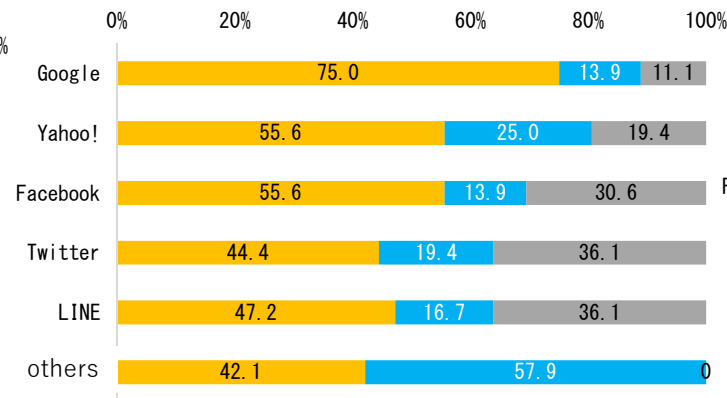
When asked if there were any problems or issues in the contract with digital platform operators, many respondents said that the contract is uniform and cannot be changed based on their intention. (refer to chart 25-27 of the interim report)

【 Advertiser, Ad agency 】



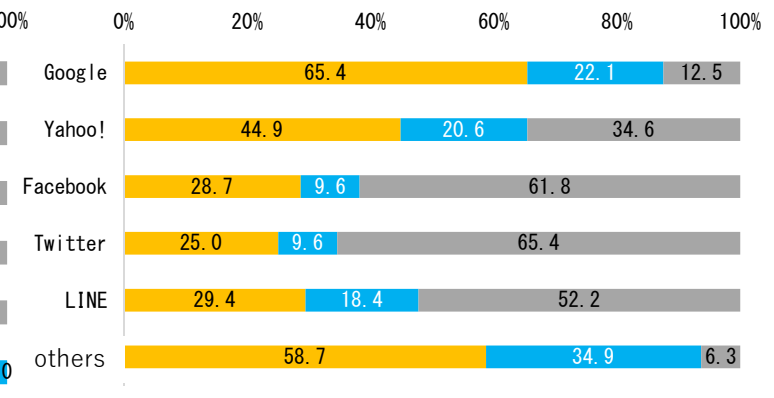
- a) ~h) There are problematic provisions
- i) There are no problematic provisions above
- j) Have never dealt with the digital platform operator

【 Intermediary 】



- a) ~h) There are problematic provisions
- i) There are no problematic provisions above
- j) Have never dealt with the digital platform operator

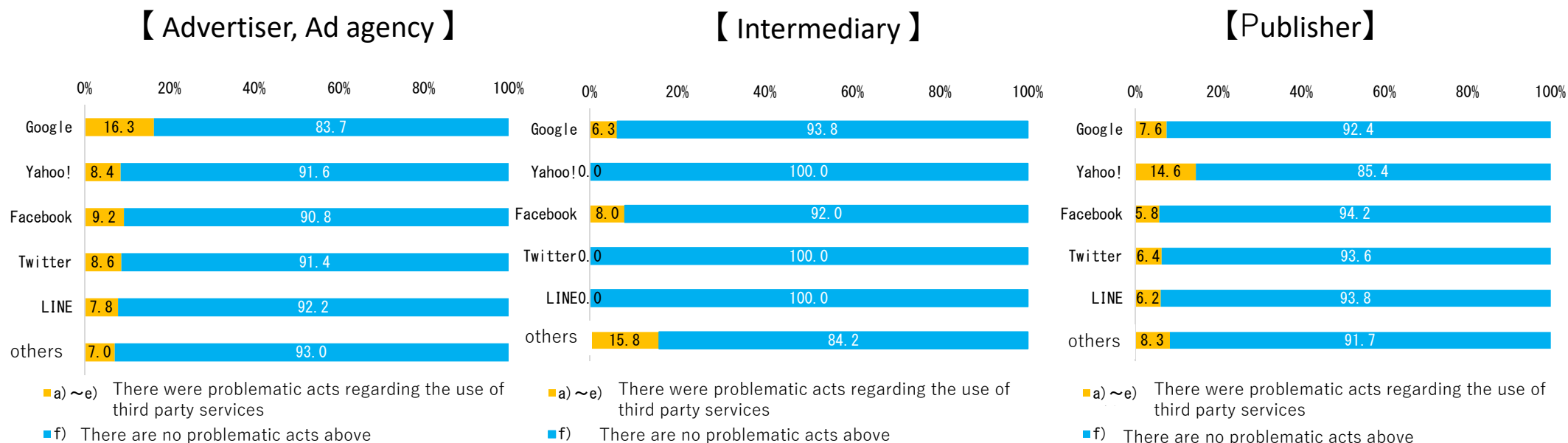
【 Publisher 】



- a) ~h) There are problematic provisions
- i) There are no problematic provisions above
- j) Have never dealt with the digital platform operator

## Chapter 2 Overview of the Questionnaires : Questionnaires for businesses (use of third-party service※ 1 )

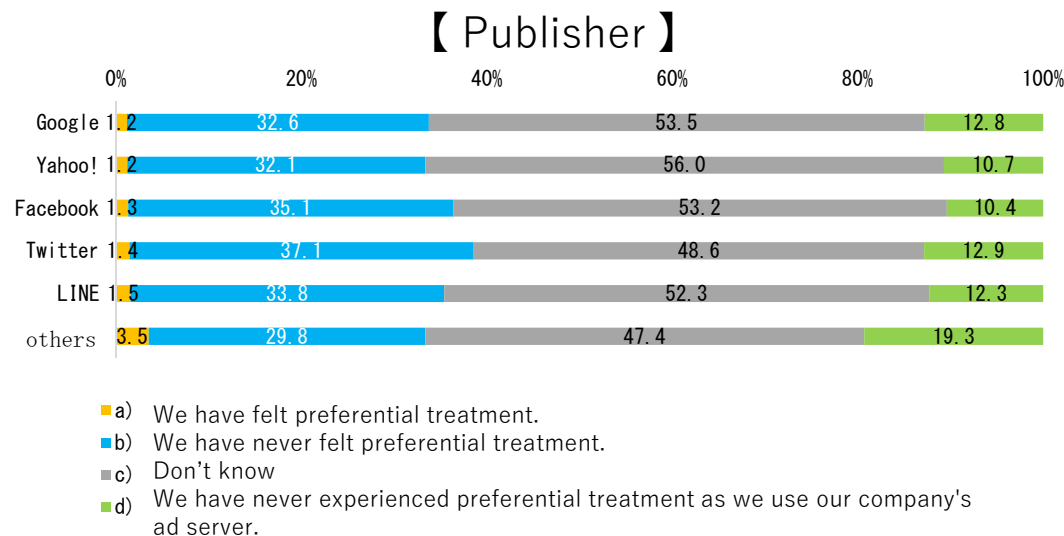
When asked if there were any problems or issues on using the ad tech service provided by digital platform operators, many respondents answered that “there was no problem.” In contrast, there are also comments such as "The use of third-party services other than those provided by digital platform operators has been banned." (refer to chart 31-33 of the interim report)



※ 1 Services provided by intermediaries other than digital platform operators

## Chapter 2 Overview of the Questionnaires : Questionnaires for businesses (prioritized ad request※ 2)

When asked if ad servers sent advertising request to a specific digital platform operator preferentially, many publishers answered that they had not felt such preferential treatment. (refer to chart 34 of the interim report)

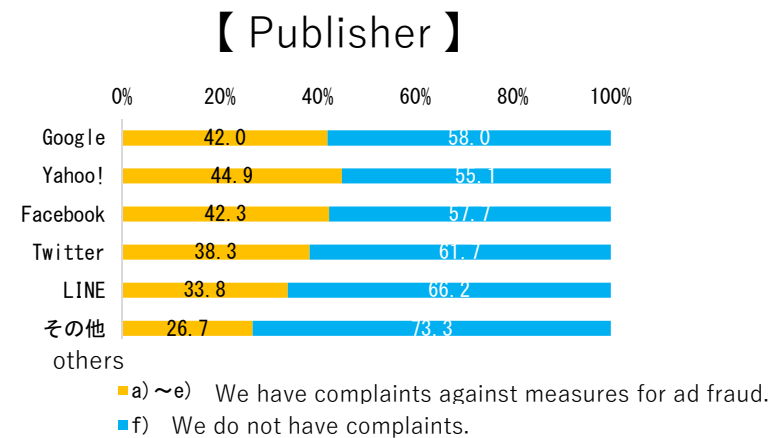
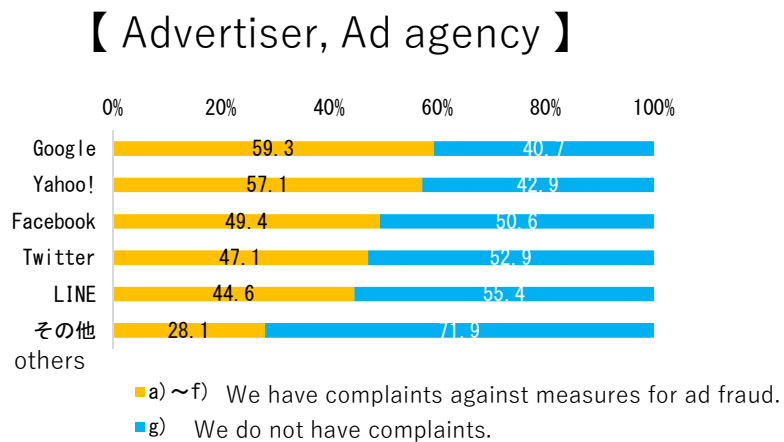


※ 2 In case ad servers sent ad request under Waterfall scheme etc., it is often said ad servers send such request in arbitrary manner, in favor of particular digital platform operators.



## Chapter 2 Overview of the Questionnaires : Questionnaires for businesses (measures for ad fraud※3)

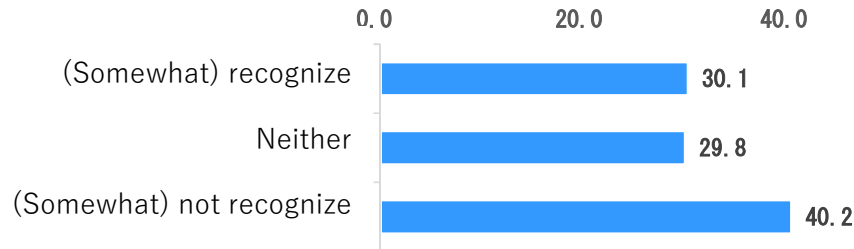
When asked if you have complaints against measures for ad fraud, which digital platform operators take, many respondents answered “yes”. (refer to chart 39-40 of the interim report)



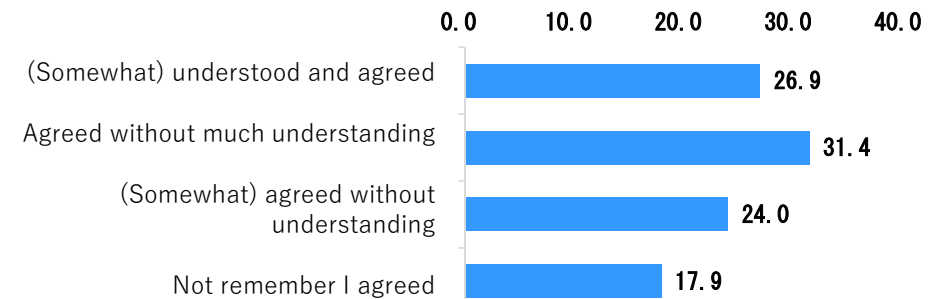
※3 Practice of fraudulently representing impressions or clicks by using bot, etc. in order to generate advertising revenue

# Chapter 2 Overview of the Questionnaires : Questionnaires for consumers (search service)

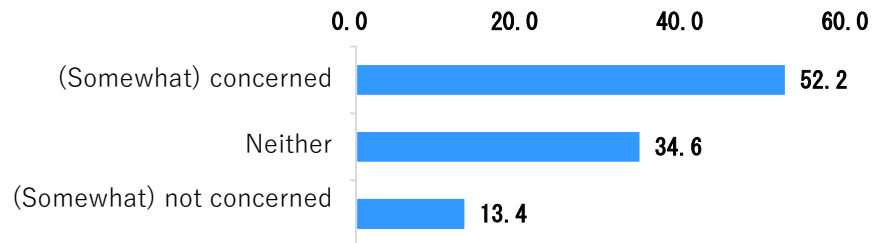
When asked if you recognized a search service collected and used information to display advertising, many respondents answered “no”. (refer to chart 67 of the interim report)



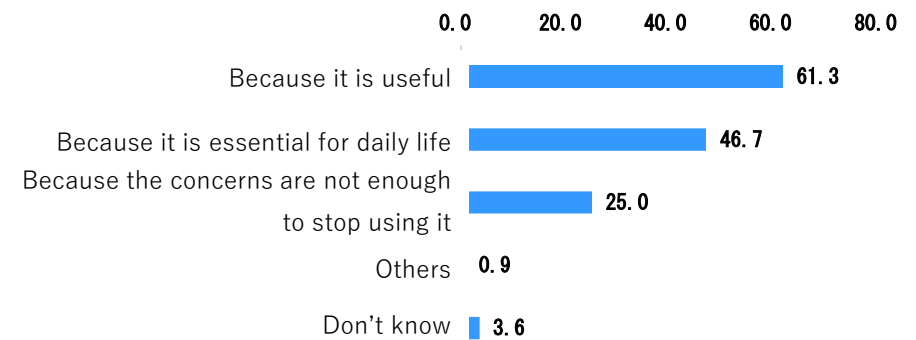
When asked if you had understood the terms of use and agreed, some respondents answered, “I don’t remember I agreed.” (refer to chart 68 of the interim report)



When asked if you had concerns about the collection and use of information, many respondents answered “yes”. (refer to chart 69 of the interim report)

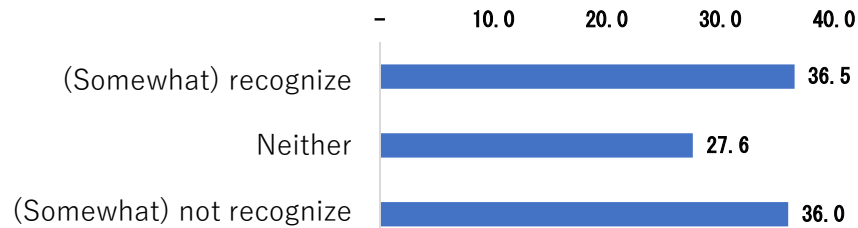


When asked why you continued to use a search service despite concerns, many respondents answered, “because it is useful”. (refer to chart 70 of the interim report)

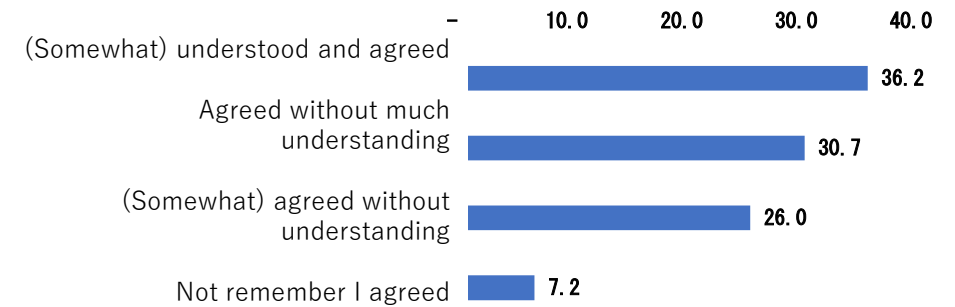


# Chapter 2 Overview of the Questionnaires : Questionnaires for consumers (social media)

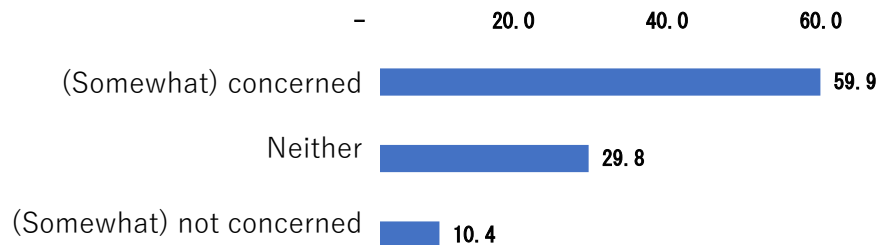
When asked if you recognized a social media collected and used information to display advertising, some respondents answered “no”. (refer to chart 86 of the interim report)



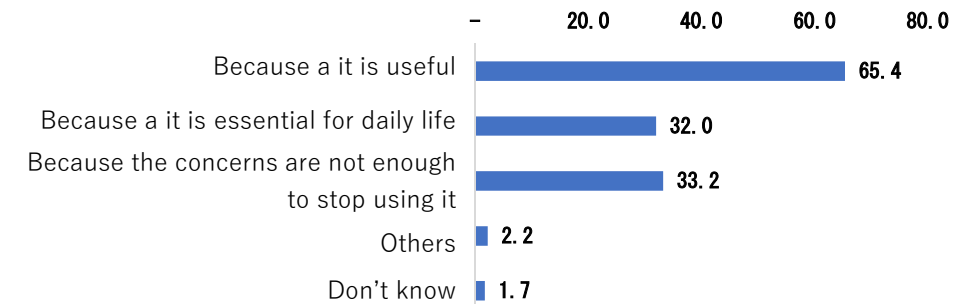
When asked if you had understood the terms of use and agreed, some respondents answered, “I don’t remember I agreed”. (refer to chart 87 of the interim report)



When asked if you had concerns about the collection and use of information, many respondents answered “yes”. (refer to chart 88 of the interim report)



When asked why you continued to use a social media despite concerns, many respondents answered, “because it is useful”. (refer to chart 89 of the interim report)



# Chapter 3 Perspectives for future research and examination

## 1. Business transactions

Clarification of the actual status of transactions from the following perspectives

- ① Whether digital platform operators impose unfair disadvantages on other businesses that is obliged to use the platform, by unilateral change to the contract, etc.
- ② Whether digital platform operators unfairly exclude intermediaries that compete with its own business
- ③ Whether digital platform operators unfairly restrict business activities, for example, by restricting the distribution of digital advertising that do not go through their platform

## 2. Consumer transactions

Clarification of the situation of using information from the viewpoint of whether the collection of personal information or the usage of such information by digital platform operators could be seen as abuse of superior bargaining position

## 3. Competition policy perspective

How digital platform operators should use the information to ensure the transparency of transactions.

The JFTC also sees competition between publishers using digital platforms, that exists among such publishers and other publishers, and businesses' endeavor, from the viewpoint of maintaining fair competitive environment in information transaction.