

Final Report Regarding Digital Advertising

February 17, 2021

Japan Fair Trade Commission

1. Purpose

Digital advertising, which collect and use a variety of information including personal information provided by consumers, has been a major source of revenue for digital platform operators, and digital platform operators play key roles as platforms linking between media (publishers) and advertisers, ad agencies in digital advertising transactions. On the other hand, media (publishers), which had previously earned revenue from advertising, have been forced to change their earning structure. Therefore the way digital platform operators run their businesses related to digital advertising has been having a major impact on the media businesses.

Given these situations, the Japan Fair Trade Commission (JFTC) has decided to conduct a fact-finding survey regarding trade practices on the digital advertising sector in order to promote efforts to prevent violations of the Antimonopoly Act (AMA) and efforts to ensure a fair and free competitive environment by stakeholders in the sector by clarifying the actual status of transactions and the state of competition surrounding digital platform operators in the sector and by presenting the issues and the views as to the AMA and competition policy.

(1) What kind of trades the JFTC focused on

Transactions conducted by publishers, advertisers and ad agencies, and intermediaries, etc. that do business with digital platform operators.

(2) How the JFTC conducted the survey

(a) Questionnaire survey for Businesses and Consumers

From February to March 2020, the JFTC conducted three surveys regarding trade practices of businesses that did business directly or indirectly with digital platform operators in the digital advertising sector. The businesses were divided into three categories: (1) advertiser and ad agency, (2) intermediary and (3) publisher.

The JFTC also conducted surveys on search advertising and social media advertising by using consumer panel. The JFTC asked consumers about their perceptions of free services and advertisements displayed in these services, and

the degree to which they understand the use of their data.

(b) Voluntary interview

The JFTC interviewed 89 parties (78 businesses (including advertisers & ad agencies, intermediaries and publishers) and industry groups), 5 digital platform operators and 6 experts).

(c) Survey through Information-offering form on website

The JFTC received 21 inputs as of February 1, 2021.

2. Results

Please see the report, attachment and summaries as attached.

3. Future Initiatives

1 The JFTC will continue to enforce toward specific issues that pose problems under the AMA strictly and properly, including issues related to each of the actual status of transactions in digital advertising sector pointed out in this report.

2 In order to promote innovation, the JFTC will continue to conduct prompt and appropriate reviews on business combinations in the digital market based on the guidelines revised in 2019, etc.

3 The JFTC will also closely continue to monitor a competitive environment in the changing market affected by the emergence of digital platform operators, such as competition among publishers pointed out in this report. The JFTC will continue to conduct fact-finding surveys on the digital market and identify issues related to the AMA and competition policies for consumer interests.

4 In order to create a competitive environment in the field of digital platforms, it is necessary not only to enforce the AMA, but also to consider and take an action from a variety of perspectives including appropriate regulations under “the Act on the Improvement of Transparency and Fairness in Trading on Specified Digital Platforms” and other regulations, implementing a scheme to promote data transfer and openness, and an appropriate protection of personal information. The JFTC will continue to work actively on coordination and cooperation with the Headquarters for Digital Market Competition established in the Cabinet and other relevant ministries to maintain a competitive environment.

5 The authorities in other countries have also been interested in and concerned about digital platform operators’ business activities which are expanding globally. The

JFTC will continue to exchange views with these authorities and work on continuous cooperation by using forums including the International Competition Network (ICN).