

eMarketer's New Ad Tech Tax Estimates Show One-Third of Spending Goes to Intermediaries

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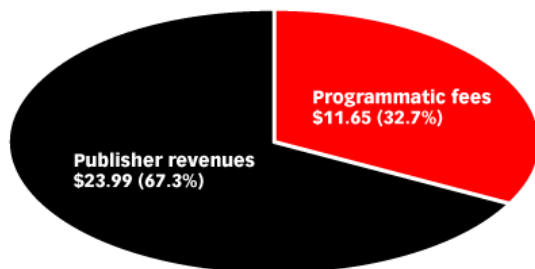
Amy He

The programmatic ad supply chain can be opaque, making it difficult for buy- and sell-side platforms to quantify how much money is being paid to vendors. Our new estimates on programmatic fees may shed some light for advertisers and publishers on how much share of all nonsocial programmatic display ad spending is going to fees.

Nearly one-third of US advertiser spending on programmatic display ads goes to tech and software intermediaries—the so-called “ad tech tax”—to execute ad transactions, before publishers receive the rest as ad revenues. That's \$11.65 billion going to fees and nearly \$24 billion going to publishers.

One-Third of US Nonsocial Programmatic Display Ad Spending Goes to Fees This Year, 2019

billions and % of total



Note: includes the portion of programmatic display ad spending that is paid to technology and software intermediaries to execute the transaction before the publisher receives the spending as ad revenues
Source: eMarketer, July 2019

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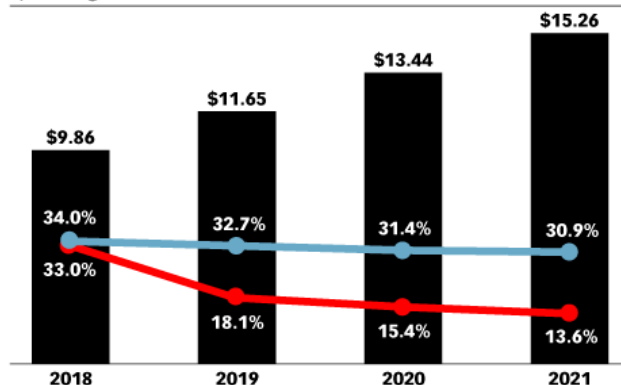
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To inform our estimates, we looked to third-party research and also surveyed dozens of participants in programmatic transactions. We created an estimate of the percentage of US programmatic display spending (excluding social network spending) that goes toward fees and not to publishers.

In 2018, programmatic fees made up 34% of nonsocial programmatic display spending, totaling \$9.86 billion. That figure grew 18.1% this year, and we predict it will grow 15.4% in 2020 to \$13.44 billion.

US Programmatic Digital Display Ad Fees, 2018-2021

billions, % change and % of nonsocial programmatic display spending



■ Programmatic digital display ad fees
■ % change ■ % of nonsocial programmatic display spending

Note: includes the portion of programmatic display ad spending that is paid to technology and software intermediaries to execute the transaction before the publisher receives the spending as ad revenues
Source: eMarketer, July 2019

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Our estimate of fees includes all advertiser spending on nonsocial programmatic display net of publisher revenue, except for agency fees. For example, our estimates include platform fees, managed service fees, volume-based fees and flat fees paid to demand-side platforms (DSPs), supply-side platforms (SSPs), programmatic exchanges, data and targeting providers, measurement and attribution providers, verification services and others, to the extent those fees are supporting programmatic digital display advertising.

“Advertisers and publishers alike have known for years that a significant chunk of programmatic spending doesn’t end up in publishers’ pockets,” said Nicole Perrin, principal analyst at eMarketer and author of our latest report, “US Programmatic Fees 2019: Concerns About the ‘Ad Tech Tax’ and Transparency Haven’t Gone Away.” “We wanted to provide the market with a better sense of how much spending does go to publishers and how much is available to ad tech partners, especially as the market continues to consolidate around leading players.”

The absolute level of programmatic fees continues to rise because marketers continue to spend money on nonsocial programmatic display ads. But programmatic fees as a share of the total have decreased in the last several years and will continue to do so for several reasons, Perrin said.

Increased competition means that programmatic service providers have been more transparent about fees; advertisers are doing more to optimize supply paths and avoid resellers, such as taking advantage of ads.txt, and private marketplaces and guaranteed deals make up a larger share of programmatic display spending, which means that there may be less programmatic fees associated with those transactions.

Programmatic fees vary depending on the type of transaction and factors like CPM or inventory quality, and while publishers and media buyers complain about not knowing where fees go, they do buy something valuable—partners often provide data, verification checks run against impressions or measurement and attribution.

But, buyers can do more to make sure they’re getting value for their money. “Asking basic questions of vendors can bring clarity, as can

speaking directly to publishers about what share of a given buy ends up as working media,” Perrin said. At the end of the day, trying to be economical and efficient may have longer-term performance costs or those associated with ad fraud.

For more analysis on the future of programmatic fees and whether marketers need to worry about the ad tech tax, read our latest report:

Report by Nicole Perrin Aug 05, 2019

US Programmatic Fees 2019

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