

Why Tech Firms Obtain Most of the Money in Programmatic Ad Buys

Some middlemen are having generous paydays

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About a year and a half ago, The Guardian caused a ruckus in the marketing tech industry when it announced that it **received only 30% of the ad dollars** advertisers spent on its site programmatically. Many believed the publisher was an outlier for letting so much money wind up in the hands of vendors. But according to a recent study, The Guardian's experience isn't that unusual.

Warc analyzed ad spend data from **Magna Global** and concluded that over \$30 billion of the \$63.4 billion spent on programmatic advertising worldwide last year wound up in the hands of tech vendors. The "tech tax" accounted for 55% of all programmatic spend, according to Warc.

Allocation of Programmatic Ad Fees Worldwide, by Service Partner, 2017

billions and % of total

	Programmatic ad fees	% of total
Tech tax	\$34.9	55%
—Data targeting & verification	\$15.9	25%
—Trading desk	\$9.5	15%
—Demand-side platform (DSP)	\$6.3	10%
—Exchange	\$3.2	5%
Publisher revenues (assumes zero fraud)	\$25.4	40%
Agency of record	\$3.2	5%
Total programmatic ad spending	\$63.4	100%

Note: read as 55% of the amount spent on programmatic ads went to a "tech tax," while 5% went to the agency of record and 40% went to the publisher (with a 0% fraud assumption); excludes search and social; numbers may not add up to total due to rounding
Source: Warc, "Global Ad Trends March 2018" based on Magna Global figures, March 29, 2018

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Even if there was no fraud, publishers received just 40% of the dollars that advertisers pushed through programmatically, according to Warc. If 10% of impressions were fraudulent, then publishers received 36% of all programmatic dollars.

Data, targeting and verification vendors collectively received nearly half of the money that went to tech middlemen. Ad exchanges received the smallest chunk and accounted for less than 10% of the tech tax.

Ad buyers and sellers may be alarmed that so much money goes to their vendors. But it is also worth noting that **many marketing tech firms are unprofitable** and fees keep their businesses—which often require significant investment to build out the underlying technology—afloat. While some vendors are embedded in nearly all programmatic ad buys, others are adopted on a campaign-by-campaign basis, meaning their clients intentionally choose to utilize them.

As programmatic ad spend moves from open exchanges to programmatic direct deals, it is unclear if the tech tax will remain so large. One thing publishers and **advertisers are doing** to cut tech fees is **reduce the number of programmatic platforms** they use.