

Five Charts Explaining the Ad Tech Tax

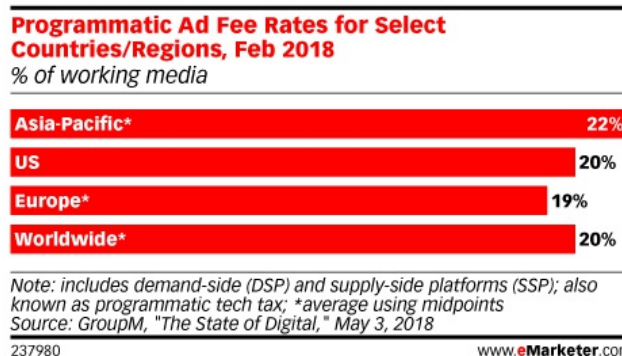
The ad supply chain remains bewildering

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Ross Benes

The complicated nature of the ad supply chain makes it difficult for advertisers to determine how much money they send to vendors. While this makes it tough for researchers to quantify the “tech tax,” several companies have recently examined how much media spend winds up in the hands of ad tech firms.

After auditing the programmatic ecosystem in May, **GroupM** estimated that on average, demand-side platforms (DSPs) and supply-side platforms (SSPs) each **take about a 10% cut** of the ad spend flowing through their platforms. Collectively, these vendors receive about one-fifth of the overall spend advertisers send to publishers whenever they purchase their inventory.



The fees that some DSPs and SSPs charge are **actually declining**, but advertisers still face fees from data management platforms (DMPs) and other tech vendors. In March, **Warc** estimated that the total “tech tax” **accounted for 55% of all programmatic spend** worldwide.

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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According to a study done by the **Association of National Advertisers (ANA)**, **Association of Canadian Advertisers (ACA)**, **Ebiquity** and **Ad/Fin** in May 2017, about **40 cents of every ad dollar** goes to tech fees.

Allocation of Programmatic Ad Fees in North America, by Service Partner, May 2015-April 2017
among impressions analyzed by ANA, ACA, Ebiquity and Ad/Fin

Demand side	
Execution	\$0.12
Targeting data	\$0.09
Agencies	\$0.06
Other	\$0.01
Sell side	
Exchange/SSP	\$0.11-\$0.18
Publishers	\$0.54-\$0.61
Total	\$1.00

Note: represents activity analyzed by ANA, ACA, Ebiquity and Ad/Fin, broader industry metrics may vary; on average, \$0.15 of every dollar transacted programmatically goes to SSP fees while \$0.58 goes to the publisher
Source: Association of National Advertisers (ANA), Association of Canadian Advertisers (ACA), Ebiquity and Ad/Fin, "Programmatic: Seeing Through the Financial Fog," May 18, 2017

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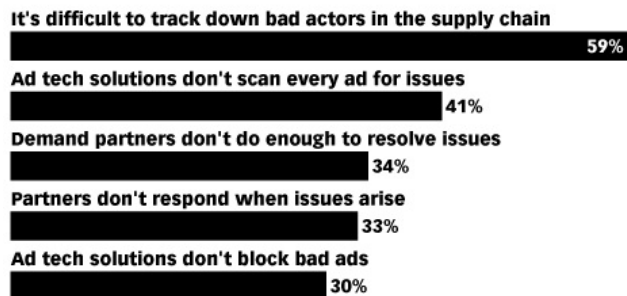
The convoluted nature of the ad supply chain isn't just bad for pricing transparency—it also provides nooks for fraudsters to hide **their shady**

tricks.

In a recent **Ad Lightning** survey of 110 US ad operations professionals, 59% of respondents said that one of the top challenges of addressing ad quality problems is **how hard it is to track down bad actors** in the supply chain.

**Leading Challenges of Addressing Ad Quality Issues
According to US Ad Operations Professionals,
Jan 2018**

% of respondents



Source: Ad Lightning, "The Ad Ops: Top 5 List for 2018," June 5, 2018

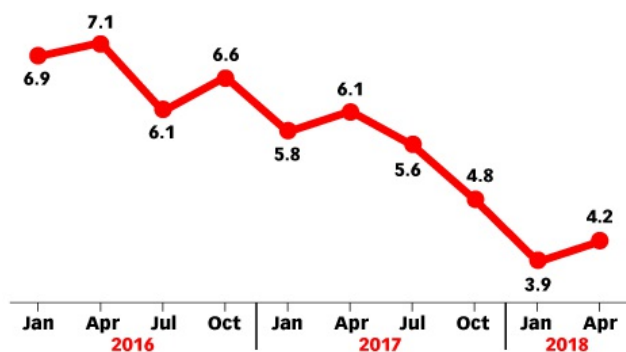
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Some ad industry observers believe that blockchain's open and distributed ledger could clear up some of these issues by **making advertising transactions more transparent**. But right now, blockchain doesn't operate quickly enough to work in the fast-paced bidding world of programmatic advertising. Until the technology gets faster and more people adopt it, blockchain **faces an uphill battle** in fixing ad tech problems.

Another approach advertisers are taking to bring clarity to their tech fees is **purging vendors**.

**Average Number of DSPs Used by US Advertisers,
Jan 2016-April 2018**
among the largest 100 advertisers on the Pathmatics platform



Note: represents activity on the Pathmatics platform, broader industry metrics may vary
Source: Pathmatics, May 15, 2018

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Ad tracking firm **Pathmatics** analyzed the top 100 advertisers on its platform and found that the number of DSPs these advertisers use declined by about 40% between January 2016 and April 2018.