

How Programmatic Platforms Absorb 20% of Media Ad Spend

Pressure's on tech vendors to reduce fees

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As long as programmatic advertising has existed, ad buyers have complained that their tech vendors receive too much money. But quantifying how much money the middlemen take is difficult since many firms have hidden fees. However, a recent study by media buying giant **GroupM** at least provides some scope to how much cash ends up in the hands of programmatic platforms.

After an audit of the programmatic ecosystem, 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 that advertisers send to publishers whenever they purchase their inventory.

Programmatic Ad Fee Rates for Select Countries/Regions, Feb 2018

% of working media



Note: includes demand-side (DSP) and supply-side platforms (SSP); also known as programmatic tech tax; *average using midpoints

Source: GroupM, "The State of Digital," May 3, 2018

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While advertisers might not like hearing that 20% of their money goes to programmatic platforms, these figures are lower than they used to be. When a few DSPs went public about five years ago, it was revealed that their gross margins ranged between 40% and 65%. Even after cutting out opaque fees in an effort to lower rates to attract customers, some platforms still took as much as 25 cents of every dollar running through their platforms.

"These [10%] rates seem closer to what GroupM's DSP rates might be, but the averages we have seen for the industry overall are still a bit higher today in top global regions for both DSP and SSP," said Matt Prohaska, CEO and principal at digital advertising consulting firm Prohaska Consulting.

Publishers and advertisers alike are reducing the number of programmatic platforms they use, which is putting pressure on tech vendors to reduce fees. Overall, the fees that DSPs and SSPs charge are declining, but there are still additional tech fees from data management platforms (DMPs) and other tech vendors that advertisers get billed for, according to Prohaska. In March, Warc estimated that the "tech tax" accounted for 55% of all programmatic spend worldwide.