Ad-Tech Companies Help Small Publishers & Advertisers Compete with Large Internet Platforms

Approx. 3/4 of the $200 billion in U.S. digital advertising spending goes to a handful of the largest internet companies.

Approximately 3/4 of digital ad spend goes to the just a small number of the largest internet companies. Those big tech companies have significant advantages in the marketplace: 1) vast numbers of users; 2) the ability to efficiently collect data from their users' activity on their own digital properties; 3) the ability to personalize ads and measure engagement on their own digital properties. This is particularly true of the three largest platforms, which themselves account for about 2/3 of this revenue alone.

Small publishers and advertisers rely on third-party ad-tech companies to compete with large platforms.

The vast majority—tens of millions—of websites and apps lack the large number of customers and the technological capabilities to compete with giant internet platforms in providing effective tailored advertising without the support of “third-party” ad-tech companies.

Ad-tech companies partner with these smaller publishers and advertisers to collect and analyze their user’s data in order to provide tailored advertising (also referred to as targeted advertising) and compete with the largest platforms. This provides a network effect for these smaller companies and helps to level the digital advertising playing field and enabling these companies to compete more effectively with the largest internet platforms.

A “data broker,” also referred to as “third-party collection entity,” isn’t consistently defined, but it is often used to describe businesses that collect, sell, license, or transfer personal data of individuals with whom they do not have “direct relationships.” However, companies in this sector are diverse, ranging from ad-tech companies that collect and process this data for digital advertising but do not associate that data with specific individuals, and those that actively collect and sell consumer data.

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**TAILored Advertising**

refers to advertisements that are intended to be a match for people based on websites they visit, products they search for, and apps they use.
A new federal privacy law should prohibit harmful uses of data, rather than broadly limiting collection & beneficial uses based on whether a company has a direct relationship with a consumer.

The NAI has long prohibited the use of data collected for advertising purposes for eligibility or pricing determinations for employment, credit, tenancy, health care, insurance, and education admissions. These are areas where the greatest harms can arise from processing of consumers' personal information.

A comprehensive federal privacy law should identify and prohibit harmful practices and outcomes to protect consumers, while continuing to enable responsible sharing and processing of personal data to enable beneficial practices like tailored advertising. Focusing on uses of data and harms to consumers will best protect consumers and competition, providing a level playing field for businesses large and small, rather than creating additional advantages for the largest internet platforms.

Conversely, curtailing the role of third-party ad-tech companies would have negative effects across the entire digital media ecosystem. This would likely have a compound effect on the marketplace, driving many smaller publishers and advertisers out of business, while shoring up the market position of the larger and dominant platforms. This would likely also lead to limited market choices for advertisers and increases in digital ad-pricing.