

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

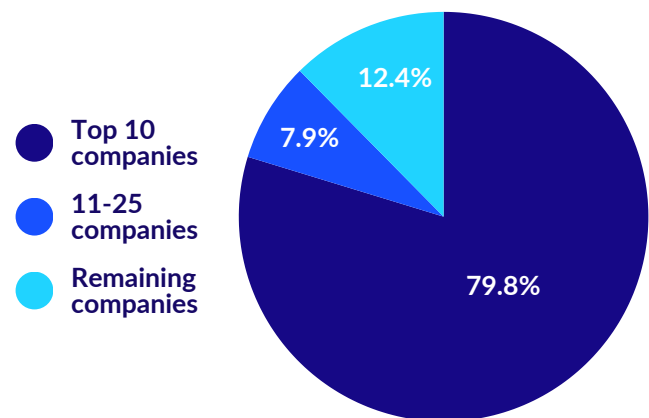


Roughly 80% of the \$225 billion in U.S. digital advertising spending goes to a handful of the largest online companies.

Those large online platforms have significant advantages in the marketplace:

- 1) vast numbers of users;
- 2) the ability to **efficiently and directly collect data** from their users' activity;
- 3) integrated ability to **personalize ads** and **measure engagement** on their own digital properties.

ONLINE ADVERTISING REVENUE CONCENTRATION 2023 ¹



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

Most websites and apps lack the large number of customers and the technological capabilities needed to compete with giant online platforms to effectively tailor advertising without the support of “third-party” ad-tech companies.

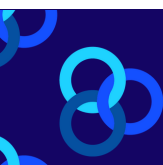
Ad-tech companies partner with these smaller publishers and advertisers to collect and analyze their user's data in order to provide tailored advertising (also referred to as targeted advertising.) Working with third-party ad-tech providers creates a network effect for smaller publishers and advertisers, helps to level the digital advertising playing field, and enables companies to compete more effectively with the largest online platforms.

Ad-tech companies, also referred to as “third parties” or “service providers” to their publisher and advertiser partners, usually do not have direct relationships with consumers, but they are critical to the digital advertising that provides a free and open internet. These businesses provide a wide range of services, such as the provision of tailored advertising, contextual advertising, and ad measurement and frequency capping.

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.
- is the most widely utilized type of digital advertising. It maximizes the relevance and effectiveness of ad campaigns and is vital for a free and open internet.
- is essential for maintaining a robust, competitive internet marketplace serving both established and new businesses by helping them engage with existing customers and reach new audiences.

1. Interactive Advertising Bureau. “Internet Advertising Revenue Report.” April 2024. https://www.iab.com/wp-content/uploads/2024/04/IAB_PwC_Internet_Ad_Revenue_Report_2024.pdf.



Benefits of Digital Advertising Include



SMALL BUSINESSES

- Reach niche or local customers
- Cost-effective advertising enables efficient new business models



ADVERTISERS

- Cost-efficient way to reach engaged audiences
- Employ new business models like direct-to-consumer



PUBLISHERS

- Easily monetize content without charging consumers



CONSUMERS

- Access free content paid for by relevant ads that generate more revenue

A new federal privacy law should prohibit harmful uses of data and protect beneficial uses.



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, leveling the playing field for businesses large and small, rather than creating additional advantages for the largest internet platforms.



Conversely, limiting the role of third-party ad-tech companies would have negative economic effects across the entire digital media marketplace. A compounded anticompetitive impact would drive many smaller publishers and advertisers out of business, while further entrenching the largest platforms. The likely results would be fewer market choices for advertisers, increases in digital ad pricing and less free content for consumers.

Founded in 2000, the **Network Advertising Initiative (NAI)** is the leading non-profit, self-regulatory association for advertising technology companies. The NAI promotes strong consumer privacy protections, a free and open internet, and enables small businesses to thrive by maintaining and enforcing the highest voluntary industry standards for the responsible collection and use of consumer data. Our member companies range from small startups to the largest companies in the industry, and they collectively represent a substantial portion of the digital advertising ecosystem.



thenai.org



@NAI



The NAI