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Responses to Questions 1, 4-25, 28-36, and 39-52
of the Autorité de la Concurrence's Request for Information dated 23 July 2019
Case No. 19/0030F

This submission sets out Google's response to questions 1, 4-25, 28-36, and 39-52 of the Autorité de la Concurrence's (**FCA**) Request for Information relating to the online advertising sector dated 23 July 2019 (**RFI**). The RFI requires Google to provide the responses to these questions by 23 September 2019. Responses to the remaining questions will be provided shortly.

As agreed with the Rapporteur, Mr Clément Chazelas, by email dated 11 September 2019, a French version of Google's response will follow by the end of the week commencing 23 September 2019.

Google's response and its annexes contain sensitive business secrets that should not be disclosed to third parties. Pursuant to Article R463-13 of the Code de Commerce, Google will formulate a request for this purpose and provide a non-confidential version of its responses.

Google does not endorse or validate the content, findings or views expressed in any third party materials, reports or studies referred to in this response.

We hope our responses are helpful. Please let us know if you have any questions.

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45. If publishers are using Ad Manager's ad serving functions, then Enhanced Dynamic Allocation is applied to the request made to AdX as this is built into the processes that Ad Manager carries out in delivering ads to publisher pages.

Q13. Please indicate if the DFP users are, or have been, authorised to deactivate the dynamic allocation and/or the improved dynamic allocation. If so you will describe the consequences of such deactivation. If applicable, please identify your response during the targeted period.

46. As described above in response to question 12, Enhanced Dynamic Allocation is built into the processes carried out by Ad Manager as an ad server and allows publishers to maximise their revenue opportunities, without compromising their direct deals.

47. It is not possible for publishers using Ad Manager to deactivate Enhanced Dynamic Allocation within the Ad Manager interface. However, it is technically possible for a publisher to use Ad Manager without the Enhanced Dynamic Allocation functionality by creating a separate "AdX Direct" account, linked to a remnant line item in Ad Manager. They can then set an average price at which they want AdX to compete (instead of competing at the dynamic price informed by real-time bids). This would cause Ad Manager to call AdX in the same way as it would call any other ad exchange or ad network, in effect, deactivating Enhanced Dynamic Allocation.

48. The real time competition between AdX and items booked in Ad Manager as either remnant or guaranteed is on an impression-by-impression basis. Publishers using Ad Manager have the ability to disable AdX on any impression by configuring settings in Ad Manager and AdX to control which inventory is eligible to compete.[20] It is possible for a publisher using Ad Manager to exclude the AdX exchange function from its sale process altogether

Q14. Please describe why the dynamic allocation was introduced for AdX only, to the exclusion of all others intermediation platforms (*SSPs/AdExchanges*). In particular, please specify if this restriction is justified by technical reasons.

49. When first launched, Dynamic Allocation did not facilitate competition between multiple exchanges in real time. Third party exchanges could compete only at a fixed price. This was consistent with competing intermediation platforms at that time, which used a waterfall process[21] to offer remnant inventory to demand sources.

50. To facilitate competition between multiple intermediation platforms, AdX would have had to make calls to third party ad exchanges to bid for ad inventory purchased in the auction. This would have added another layer of complexity to the ad serving process, with an associated increase in latency. In addition, such resale of inventory limits the

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[20] See "*Google Ad Manager Help: Dynamic Allocation*", available at: https://support.google.com/admanager/answer/3721872?hl=en.

[21] Also known as a "daisy-chain" process. This is a revenue optimisation process used by some publishers to maximise the revenue generated from a set-up with multiple ad buyers. Each ad buyer is in turn given the opportunity to bid on the inventory - if they cannot meet the floor price, then this is passed back to the next buyer in the waterfall.

ability to review the creative that ultimately appears on publisher inventory. This increases the risk of ads being served that do not meet Google's high quality standards.

51. With the introduction of Header Bidding,[22] third-party demand sources were able to compete dynamically in the Ad Manager (then DFP) auction. No changes needed to be made to the Ad Manager auction to facilitate Header Bidding.

52. Following the introduction of Header Bidding, Google optimised its publisher focused tools, including by introducing Exchange Bidding and Enhanced Dynamic Allocation (see the response to question 8). Exchange Bidding enables third party ad exchanges and SSPs to compete with line items booked in Ad Manager and with AdX directly within Ad Manager.

Q15. Please indicate whether any third-party ad servers are, or have been, able to interact with AdX in real time under the same conditions as those offered by DFP's dynamic allocation function. If so, please list them. If applicable, please identity your response during the targeted period.

53. Any third party ad server can be used in combination with AdX, but Dynamic Allocation is a technical feature of Ad Manager's ad serving function.

54. AdX operates in combination with third party ad servers through Google Publisher Tag (**GPT**) passbacks and AdX direct tags. The third party ad server can make a call to AdX, using a GPT passback or AdX direct tag, to serve an ad matching specified targeting criteria. The Ad Manager ad server will then return an ad that matches the specified targeting criteria.

55. AdX is an ad exchange, and does not directly bid into auctions run by third party ad servers. A publisher using a third party ad server would have to assign a static CPM price or serving priority to the AdX demand. The third party ad server can then integrate that demand dynamically in to their creative selection decisions. That said, most demand sources (ad networks, ad exchanges and demand-side platforms) that submit real-time bids on AdX, also submit real-time bids on third-party SSPs. As set out in response to question 16 below, some third party ad servers have features equivalent to Dynamic Allocation that they offer their publishers to maximise revenue yield.

Q16. Please identify the ad servers and the intermediation services of the DFP and AdX competitors who have implemented a technology similar to dynamic allocation during the targeted period.

56. A number of competing ad servers and advertising intermediation services have introduced new technologies similar to Dynamic Allocation. These include, amongst others:

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[22] Header Bidding is an auction that takes place outside the publisher's ad server and allows publishers to simultaneously offer inventory to numerous SSP and ad exchanges before making calls to their ad servers.

- AppNexus's Publisher AdServer stages "a single, transparent auction across every buyer" using "Forecast-Shaped Pricing", which "increases a publishers yield through Open Dynamic Allocation".[23]

- Smaato's ad server uses "Dynamic Demand" to allow "every demand source to compete for ever ad request".[24]

- Smart's ad server runs "a comprehensive and transparent competition among all demand sources, direct & programmatic".[25]

- Improve Digital's Full Holistic Platform combines the functionality of an ad server and an SSP to allow "programmatic [bidding] to compete with traditional campaigns pushing revenues to the maximum".[26]

- MoPub's monetisation platform is designed to allow mobile app developers to maximise revenues by "bringing together all of your demand sources - direct sold, ad networks, and demand-side platforms (DSPs) - under a single unified auction, in which each ad impression is sold to the highest bidder".[27]

- The InMobi Mediation Platform allows publishers to "maximize [your] ad revenue with a true unified auction across multiple demand sources."[28]

Q17. Please indicate if the publishers can access the request made by AdX while setting up a system known as "*header bidding*" and under what conditions. If applicable please differentiate the situation of the publishers using DFP from that of the publishers not using DFP but a competitor's ad server.

57. AdX does not participate directly in the Header Bidding auctions, because Header Bidding takes place before the ad server has been called by the publisher. Similarly, the Header Bidding auction will not have real time access to the AdX auction.

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23 See "*AppNexus Adserver*", available at: https://www.appnexus.com/sell/appnexus-adserver. See also "*Near-Perfect Pacing & A New Standard for Maximizing Publisher Revenue*", available at: https://productblog.appnexus.com/near-perfect-pacing-a-new-standard-for-maximizing-publisher-revenue/.

24 See "*Super-Auction for Every Mobile Impression: Dynamic Demand Explained*", available at: https://www.smaato.com/blog/dynamic-demand-explained/.

25 See "*Smart: Monetization for Publishers. More value. More demand. More revenue*", available at: https://smartadserver.com/publishers/monetization-offers/#section-01.

26 See "*Full Holistic Platform*", available at: https://www.improvedigital.com/full-holistic-platform/.

27 See "*MoPub's platform maximizes your revenue*", available at: https://www.mopub.com/publishers/platform/.

28 See "*InMobi Mediation Platform*", available at: https://www.inmobi.com/advertising-cloud/mediation.

58. Header Bidding is an additional, independent, real time auction that takes place outside the publisher's ad server and allows publishers to offer inventory simultaneously to numerous SSPs and ad exchanges *before* making calls to their ad servers.

59. Where a publisher is using Ad Manager as its ad server, it may also call a Header Bidding auction, which will be carried out *before* AdX is called. Ad Manager has no visibility into the Header Bidding auction. The winning bid from the Header Bidding auction is used to target a specific line item that the publisher has booked within Ad Manager (most commonly a remnant line item, the price of which reflects the winning header bidding price). The Header Bidding line item and AdX / Exchange Bidding will compete against other guaranteed and remnant line items for the inventory, based on the Dynamic Allocation process that has been described above.

60. Users are increasingly aware of how their data is being used, and are looking for ways to ensure their data privacy. These concerns are reflected in the work of regulators and other organisations, who are increasingly emphasising the importance of users' ability to control their data. Current privacy best practices (primarily driven by GDPR) include that providers of digital advertising services should (i) commit to less data sharing, not more; (ii) implement practical privacy safeguards, not merely rely on contractual provisions; (iii) obtain clear user consent and improve transparency in relation to how user data is being shared; and (iv) focus on the security of user data.[29]

61. These goals are all compromised to some degree by Header Bidding, as the additional auction results in data being shared with numerous SSPs and ad exchanges. Each additional party makes it increasingly difficult to control data sharing, be transparent as to with whom data is being shared, obtain user consent for the sharing of that data and secure user data. Full integration with header bidding, where publishers could access the AdX request in real time, would make it even more difficult to achieve these aims.

62. For ease of scale, Google builds its products to comply with all prominent and cross-jurisdictional laws. It would not be scalable to offer two versions of our product - one for use outside the EEA that integrates fully with Header Bidding and another for use within the EEA that does not integrate fully with header bidding. As such, Google does not offer a version of Ad Manager that integrates fully with header bidding.

Q18. For each year since the introduction of *Exchange Bidding*, please indicate the number and percentage of DFP users, globally and in the EEA, who have effectively activated this function.

63. The number and proportion of Ad Manager (DFP) users globally and in the EEA that activated the Exchange Bidding function since 2016 (Exchange Bidding entered private beta testing in April 2016, followed by open beta testing in June 2017, before being rolled out globally in April 2018) are provided in Annex 2. Users are identified according to internal network IDs associated with each account, and are limited to active DFP publishers. Active DFP publisher accounts are defined as those that instigate at least one query in a given year. Users (network IDs) that instigated at least one query via

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[29] See Information Commissioner's Office, "*Update report into adtech and real time bidding*" 20 June 2019, available at: https://ico.org.uk/media/about-the-ico/documents/2615156/adtech-real-time-bidding-report-201906.pdf.