

# DIGITAL ADVERTISING 101

Google is planning to eliminate third-party cookies in its Chrome browser by the end of this year. We are likely to hear more about their proposed replacement for the capabilities of cookies - Privacy Sandbox - at their I/O conference this week. To help explain the negative impact this will have for news websites ad revenue, we've prepared this explainer on the digital ad marketplace, the elements of the ecosystem, and how the functionality of cookies increases the value of advertising space on news websites.

No matter whether you are using a computer, tablet, or phone, whenever you open an article published on a news outlet's website, you will invariably see digital ads displayed beside, above, or interspersed within the text of the article.

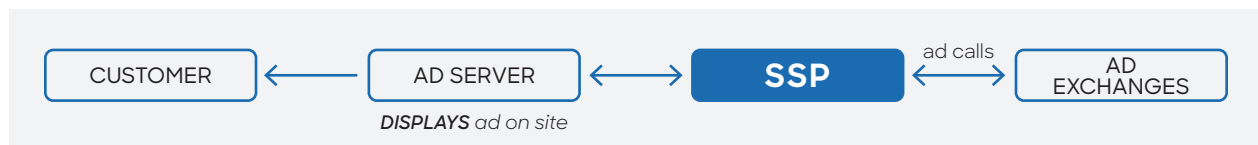


Unlike advertisements published in a printed newspaper, digital ads accompanying a given article are generally changed from reader to reader depending on the consumer's profile. This allows advertisers to maximize their ad budget by ensuring that their ads reach consumers most likely to be interested in their products. This also increases the value of the ad space for news publishers because if advertisers know they can reach a consumer that is likely to be interested in their products, they are likely to pay more to obtain that ad space.

Because advertisers are buying ads based on the user's consumer profile, news sites and other publishers cannot actually sell ad space until the reader navigates to a given webpage. This means that the entire process for buying and selling the ad space must happen in a fraction of a second while the webpage loads.

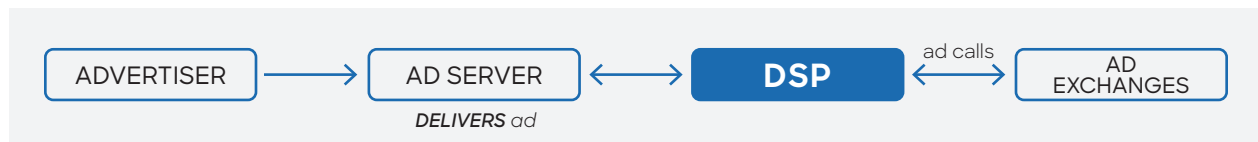
In order to achieve this, publishers and advertisers rely on an integrated network of systems to buy and sell advertising inventory on **ad exchanges**, online marketplaces that facilitate a real-time auction of available ad space.

When a reader opens a news article, news websites use **publisher ad servers** to identify that reader's anonymized user ID from cookies stored on their browser. This information is then relayed to the ad exchange by **supply-side platforms** (SSPs), which publishers use to organize and offer ad inventory for auction.



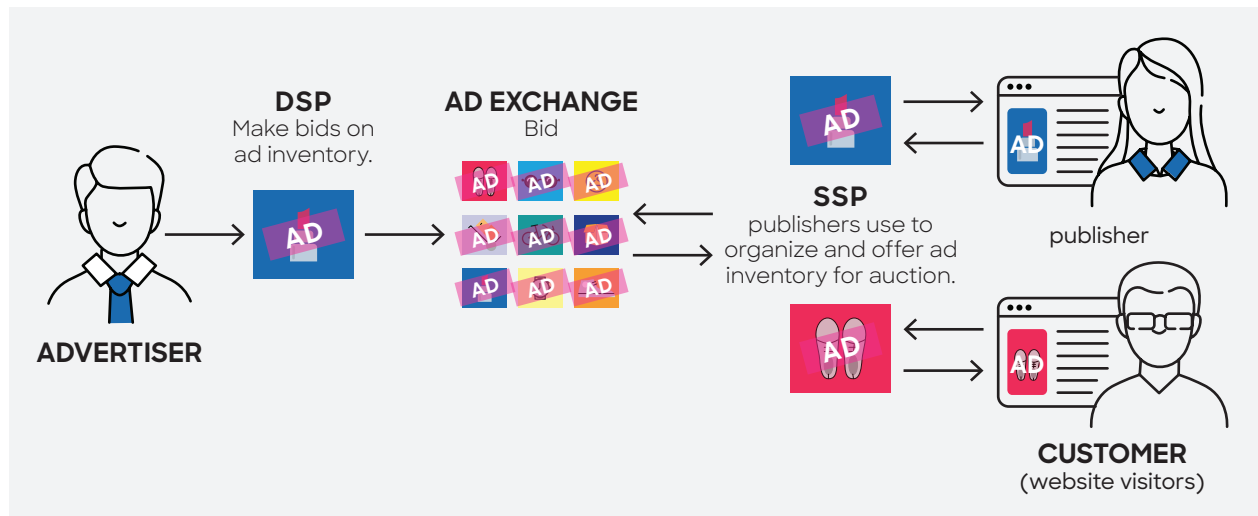
**FOR EXAMPLE** A reader opens an article on the Cleveland Plain Dealer website. Cookies stored in that reader's browser feed into the SSP that user's anonymized ID.

On the other side, advertisers use **advertiser ad servers** to organize ad campaigns and **demand-side platforms** (DSPs) to make bids on ad inventory. In determining a bid on particular ad space, demand-side platforms consider the user's consumer profile as derived from a cross-reference of the user's cookie ID against various consumer datasets.



**FOR EXAMPLE** That cross-reference discovers that the user's ID is known to shop for jeans at the GAP. That ad space then becomes more valuable to the GAP to deliver an ad about jeans. The GAP makes the highest bid for the ad and wins the auction.

The result is an ad that is relevant to the interests of that particular reader of a news article. It will likely be a different ad for the next reader to open that article on the website.



Cookies do not collect the information about consumer's interests. They do allow for a particular web user's device to be anonymously identified and matched to consumer profiles that contain their interests. In this way, cookies fuel the value exchange that drives the internet economy, increasing digital ad revenue for news websites.

A 2019 [Google study](#) showed that eliminating third-party cookies would reduce ad revenue for news publishers by an average of 62%. This is precisely what Google is proposing to do by retiring support for cookies in its dominant Chrome browser. It is unclear if the replacements Google is developing will be ready in time or deliver the same capabilities to advertisers and publishers. What we do know is that news outlets can't afford to suffer this kind of dramatic revenue loss when the industry is already on the ropes.

## Google is the Dominant Player at Every Stage of the Digital Advertising Process

Google—largely by acquiring smaller firms—has achieved a dominant market position at every stage of the digital advertising process. Google owns the leading DSPs and SSPs, provides the leading publisher ad server platform used by almost all major publishers, and operates the largest ad exchange.

Over 90% of large publishers rely on DoubleClick for Publisher, in part because it allows publishers to fully access DoubleClick Ad Exchange(AdX) , Google's dominant ad exchange platform. Federal regulators cleared Google's acquisition of DoubleClick in 2008 despite concerns that Google could leverage the company to harm competition in the ad tech market.

According to a recent report from the U.K.'s Competition and Markets Authority, the agency tasked with enforcing British competition law, Google dominates digital advertising in the U.K, controlling:

