The Current Digital Advertising Industry

Digital advertising is an unregulated $700 billion industry plagued by fraud, deception, and exploitation. Over the last three decades, the self-interests of advertising technology ("AdTech") brokers have given rise to a massive amount of fraud that harms small businesses, publishers, and citizens. The current digital advertising industry –

- **Hurts Small Businesses.** For every $1 spent, 36 cents actually reaches the consumer. Around $0.29 goes toward fees to AdTech brokers. Another $0.35 goes to low-quality media, including invalid traffic (IVT) and made-for-advertising (MFA), non-viewable and non-measurable inventory. [1]

- **Fuels Organized Crime.** Ad fraud is likely to exceed $84bn[2] globally by 2025 on current trends and is estimated by the World Federation of Advertisers to be "second only to the drugs trade as a source of income for organized crime."[3]

- **Funds Harmful Content and Child Sexual Abuse Material (CSAM).** AdTech brokers have been found to place ads on and monetize websites known to host CSAM[4], piracy,[5] and those owned by foreign actors already sanctioned by the US Treasury Department.[6]

- **Diverts Revenue from News.** In the United States alone, AdTech brokers send an estimated $1.62 billion to low-quality websites instead of legitimate news. For every $2.16 of digital ad spend sent to legitimate news organizations, $1 is sent to low-quality media, exacerbating the revenue crisis for news publishers. [7]

How does this happen?

Digital advertising is bought and sold through a complex supply chain. Brokers buy and sell digital advertising space of behalf of clients, advertisers and publishers, in real time through automated auctions across millions of websites and apps. These brokers like Google, Pubmatic, The Trade Desk, Magnite, and many more now control how digital advertising is bought and sold online. But instead of acting in the best interest of their clients – the advertisers and publishers at the heart of the transaction – brokers put themselves first.

Currently, AdTech brokers can own products and companies that function on both sides of the transaction. An AdTech broker can own the products that publishers use to sell advertising space and the products that businesses use to buy that advertising space at the same time. Where they are paid by both sides, this creates massive conflicts of interest that would not be allowed in other

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[1] ANA Programmatic Media Supply Chain Transparency Study: Complete Report.
[2] $84 Billon of ad spend lost to ad fraud in 2023 according to Juniper Research.
[3] WFA Issues Advice for Combatting Ad Fraud.
[4] Blackburn, Blumenthal Probe Amazon & Google After New Report Reveals They Placed Ads on Website that Hosts Child Sexual Abuse Material.
[5] Porn, Piracy, Fraud: What Lurks Inside Google's Black Box Ad Empire.
[6] DOJ, NCIS ask ad executives about brand-safety companies.
[7] Newsguard and Comscore Special Report: Top brands are sending $2.6 billion to misinformation websites each year.

industries. It is akin to if the financial sector allowed J.P. Morgan to run the New York Stock Exchange.[8]

AdTech brokers also have no duty act in the best interest of the advertisers and publishers they serve and often do not share the necessary information for clients to audit the relationship. For instance, businesses often struggle to access the necessary information to verify on what websites their advertisements are being displayed. The information asymmetry between broker and client has allowed for perverse incentives to take hold.

In short, the digital advertising industry has become an unregulated financial ecosystem where bad actors thrive in the shadows.

Building Better Online Businesses Act

We can fix these problems with the same common sense regulatory principles we find in other supply chains and global financial markets. The Building Better Online Businesses Act would right the system by giving control back to businesses and publishers using four key policy mechanisms:

1. Place Limits on Common Ownership

Ownership limits would prevent any single company from controlling both sides of the digital advertising marketplace. Implementing these limits would promote competition, increase transparency, and ensure a fairer marketplace for advertisers, publishers, and consumers.

2. Establish a Duty of Care for AdTech Brokers

Other industries impose legal obligations on those handling client funds and transactions. AdTech brokers that facilitate fraud and deception through bogus ad placements and other bad practices would be legally accountable.

3. Require Know Your Customer (KYC) Rules

The financial sector has long been required to verify who it does business with to prevent fraud and money laundering. AdTech brokers would be held to the same standard. KYC rules would require AdTech brokers to vet the entities they monetize and the companies they work with down the supply chain, ensuring they are not using client funds to enable criminals or fund illicit content.

4. Mandate Transparency: Page URL-Level and Log-Level Data

Businesses deserve to know where their advertising money is going. Right now, AdTech brokers limit access to Page URL-level data, making it nearly impossible for businesses to audit their advertising campaigns. All AdTech brokers must be required to provide full Page URL- and log-level transparency.

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[8] Justice Department Sues Google for Monopolizing Digital Advertising Technologies; Dina Srinivasan, Why Google Dominates Advertising Markets.