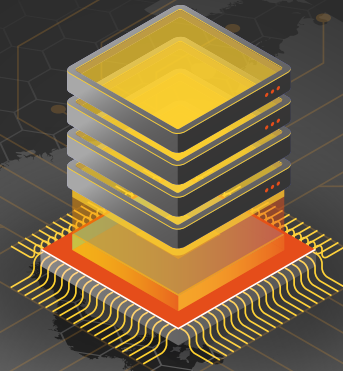# ExchangeWire research
The business of media, marketing and commerce

The Rise of the Independents: European Ad Server Research 2022

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Senior Editor, ExchangeWire

In association with

smart⁺.

The business of media, marketing and commerce

Contents

"Whoever expects a tailored product from Google for your respective business model simply doesn't know how Google works. If you manage to work with Google to your advantage you're good to go."

Hannes Modes
CTO at QuarterMedia

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Executive summary

The digital advertising industry is undoubtedly facing its most fervent period of change in its history. Third-party Identifiers, which once underpinned the sector, are now falling by the wayside, while regulators across the globe look to further tighten privacy regulations with consumer protection in mind.

The gaze of the legislator is also falling towards big tech giants and how they are wielding their market position, with nine-figure Euro fines already reaching the doors of the US behemoths. As a vital component of online advertising and therefore in publisher revenue generation, the ad server proves an excellent microcosm of how these trends are impacting the market.

This report, produced in association with Smart, was produced to examine the key drivers behind ad server selection across Europe and how prominent industry trends, such as the deprecation of third-party cookies, upcoming privacy-focused legislation, and antitrust examinations into big tech colossi, are affecting publishers' choice of partner.

Coupling original quantitative research with thought-led insight from Europe-based media and advertising professionals, the following is examined:

→ Factors affecting ad server selection

→ Impact of industry trends on publisher choice of ad server

→ How publisher ad server needs are varying according to scale

→ Levels of trust towards Google; Facebook; Microsoft; and Amazon.

As detailed within the report, the findings reveal a significant shift in power is occurring, with the impetus shifting away from the big tech giants, towards publishers and their emergent independent technology providers. Privacy is increasingly at the forefront of publisher mindsets, while scaled publishers are highly concerned about business practices and legal compliance, and are looking to experiment with different providers in 2022–2023. Publisher requirements are varying dramatically according to scale and market, signaling an end to blunt one-size-fits-all strategies and handing further opportunity to nimble and adaptable solutions.

"Power belongs to the Open Web, and it is time to take it back. Our mission at Smart is to make that happen while promoting a more independent and interoperable ad tech ecosystem. This research confirms what we've been increasingly hearing from publishers across Europe and beyond, that they are considering new factors linked to privacy, antitrust, and alignment of interests when selecting their technology partners," explains **Arnaud Créput**, CEO at Smart.

"A sign of us heading in the right direction can be seen in the recent announcement of Vocento — a leading media group in Spain — to join us as a full-stack client. This trend is gaining momentum and we are looking forward to seeing what's to come in the future."

Key findings

Findings from the survey indicate a shift in power away from the walled gardens of big tech providers towards independent market participants. This is seen most strongly among scaled publisher businesses, though early indications suggest smaller publishers will follow suit within the next 3–5 years. Market trends relating to privacy are also having a significant effect on publisher selection of ad server, a trend which is forecast to continue with further privacy-focused legislation coming in across Europe and in the United States.

Key findings include:

→ Of publishers likely to switch ad servers within the next 18 months, privacy-mandated changes such as identifier deprecation and legislation have a much greater impact on their choice of ad server.

→ Large publishers (revenue >£100m) are significantly more likely to switch ad server within the next 18 months compared to small publishers (revenue <£10m).

  ● Small publishers were significantly less aware of the surveyed industry trends/events, highlighting the need for education here.

45%

of respondents note cost as an important factor

Publisher ad server needs vary strongly according to scale

→ Cost is the predominant factor behind ad server selection, with 45% of respondents noting it as an important factor, and is the most-commonly selected factor in the UK (58%) and France (49%).

→ Privacy requirements were ranked as significantly important in publisher decisioning to switch to a new ad server, with 28% of respondents selecting it as a driving factor.

→ Large publishers were more concerned about factors including poor relationships with their current provider, concerns about business practices, legal and trust concerns with their current provider, and leveraging new channels.

  ● Publishers with revenues between £5m and £100m are seeking greater efficiencies within their stack, with integration, full stack capabilities, and cost the most pressing factors driving their decision-making when selecting a new ad server.

28%

of respondents ranked privacy requirements as significantly important

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Market highlights

Germany

→ Publishers in Germany are substantially more likely to be exploring a switch away from Google within the next 18 months.

→ Cost is significantly less important as a driver towards shifting to a new ad server among German publishers, with only 25% of respondents selecting it. Here, poor relationship with the current provider and legal/ trust concerns with the current provider were the predominant factors.

France, Italy, and Spain

→ Privacy requirements are a leading factor driving publishers to reconsider their choice of ad server within France, Italy, Spain, and the UK.

→ Negotiation of neighbouring rights, or the compensation of publishers by big tech companies for re-use of their journalistic content, is having a strong effect on publisher choice of ad server in France, Italy, and Spain.

United Kingdom

→ UK publishers which have in-house ad serving operations are significantly less likely to switch to a third-party ad server than their German and other European counterparts.

→ UK publishers are least likely to switch ad server; followed by French, Italian, and Spanish publishers, and German publishers.

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Section I.
Ad server selection

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Current use of ad server

Figure 1: Choice of ad server
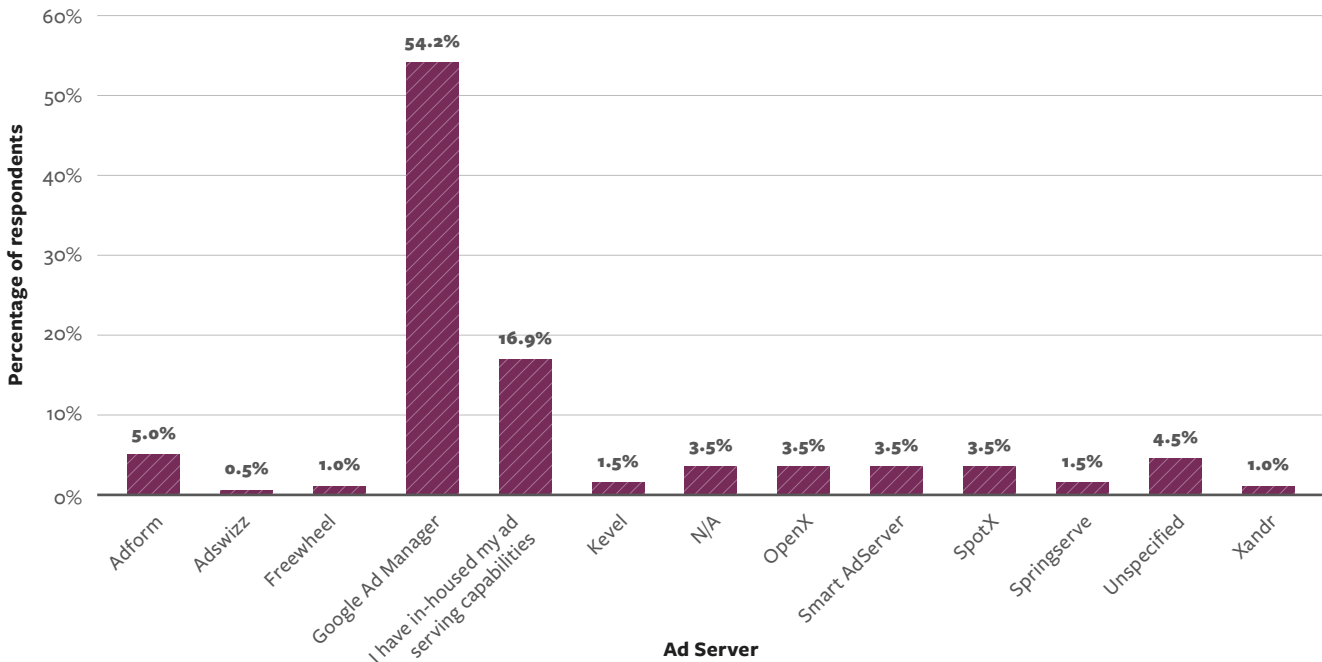
Google Ad Manager the most commonly-used ad server (54%), followed by in-housed ad serving operations (17%) and Adform (5%). While much industry focus in recent years has revolved around the global digital advertising market's overexposure to the Google stack, it is important to consider how this dominant share was garnered.

> Because there is this tie between the different Google products along the stack, it means that Google could charge a very low price on the ad server itself

As explained by Mikaël Hervé, vice president of Charles River Associates, "One piece that may be missing is about the way Google gained this dominance in ad serving. I think at the minute we focus on the reasons why publishers may or may not switch ad servers but we don't get much insight as to why and how Google has such a high market share in ad serving. This is a fair question because there is no network effect on this side of the market and — absent self-preferencing — it is not associated with a lot of data. It is just a piece of software in a way, so anyone can do it, but the reason why Google obtained dominance is precisely because of the dual self-preferencing along the stack: 1) DFS favours AdX and 2) Google DSPs favours AdX (exclusive demand of Google Ads for example). In turn, because there is this tie between the different Google products along the stack, it means that Google could charge a very low price on the ad server itself.

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47%

proportion of respondents having worked with their current ad server for less than four years

53%

proportion of respondents having worked with their current ad server for four years or more

Hannes Modes, CTO at QuarterMedia, further explains how this interlinking between products on the Google stack is critical for publisher retention, "As a sales house that is using Google's ad server for more than eight years, switching away from Google to become more independent or to avoid data privacy and policy conflicts is a fallacy. Publishers still heavily rely on revenues generated through Google AdExchange. So even if you switch your ad server to a more data privacy compliant product where you have less concerns you still have to use AdX to avoid heavy revenue losses (what sales houses in Germany like Axel Springer and Burda Forward do, although they're using Xandr as their AdServer)."

Modes adds, "Until today no programmatic selling setup without Google will give you the same results as with Google's SSP. And yes, relying on Google's technology often means a more complex, time consuming relationship than working with competitors whose ad server is their core product. But in the end, Google is still developing GAM pretty well and is pushing industry solutions that are easily usable for many publishers. Whoever expects a tailored product from Google for your respective business model simply doesn't know how Google works. If you manage to work with Google to your advantage you're good to go."

TIME WORKING WITH CURRENT AD SERVER

The time worked with current ad servers is evenly distributed, with roughly equal proportion of respondents having worked with their current ad server for less than four years (47%) and four years or more (53%). Rapid digital transformation throughout the coronavirus pandemic has demonstrably raised publisher confidence with managing their ad server operations, with 44% of those who have in-housed their ad server having done so within the last 12 months.

**Figure 2: Time working with current
ad server — by ad server**
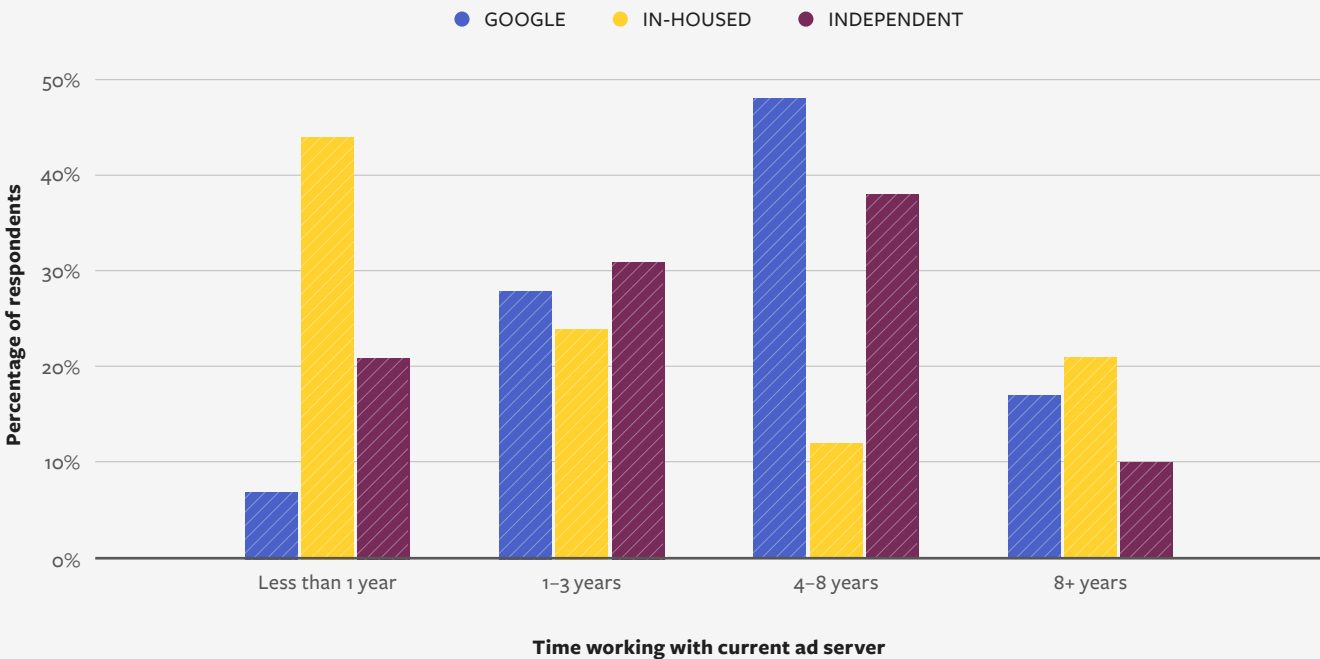
LIKELIHOOD OF SWITCHING TO A NEW AD SERVER

Overall, European publishers are not planning on switching to a different ad server within the next 18 months, with an average likelihood rating of 5.5. Publishers which have in-housed their ad serving operations are least likely to switch to a third-party provider (3.5), followed by those with independent ad servers (6.2) and those on the Google stack (6.4).

However, there are stark differences between different European markets in how likely publishers are to switch ad server. For instance, publishers in Germany are substantially more likely to be exploring a move away from Google within the next 18 months, with an average likelihood rating of 7.7, compared to French, Italian and Spanish (FR/IT/ES) (5.8) and UK markets (4.6).

German publishers (5) and FR/IT/ES publishers (4.8) which have in-housed are significantly more likely to switch to third-parties than UK publishers (2.7). UK publishers are also least likely to switch ad server (4.0); followed by FR/IT/ES publishers (5.4) and DE publishers (7.5).

Large publishers (revenue greater than £100m) are significantly more likely to switch ad server within the next 18 months compared to small publishers (revenue less than £10m), with an average likelihood rating of 7.1 compared to 4.1.

> "
>
> Large publishers (revenue greater than £100m) are significantly more likely to switch ad server within the next 18 months compared to small publishers

5.5/10
European publishers
Overall, European publishers are not planning on switching to a different ad server within the next 18 months, with an average likelihood rating of 5.5.

3.5/10
In-house ad serving operations
Publishers which have in-housed their ad serving operations are least likely to switch to a third-party provider (3.5).

6.2/10
Independent ad servers
Publishers using ad server solutions from independent providers rated their likelihood of switching to a different ad server as 6.2 out of 10.
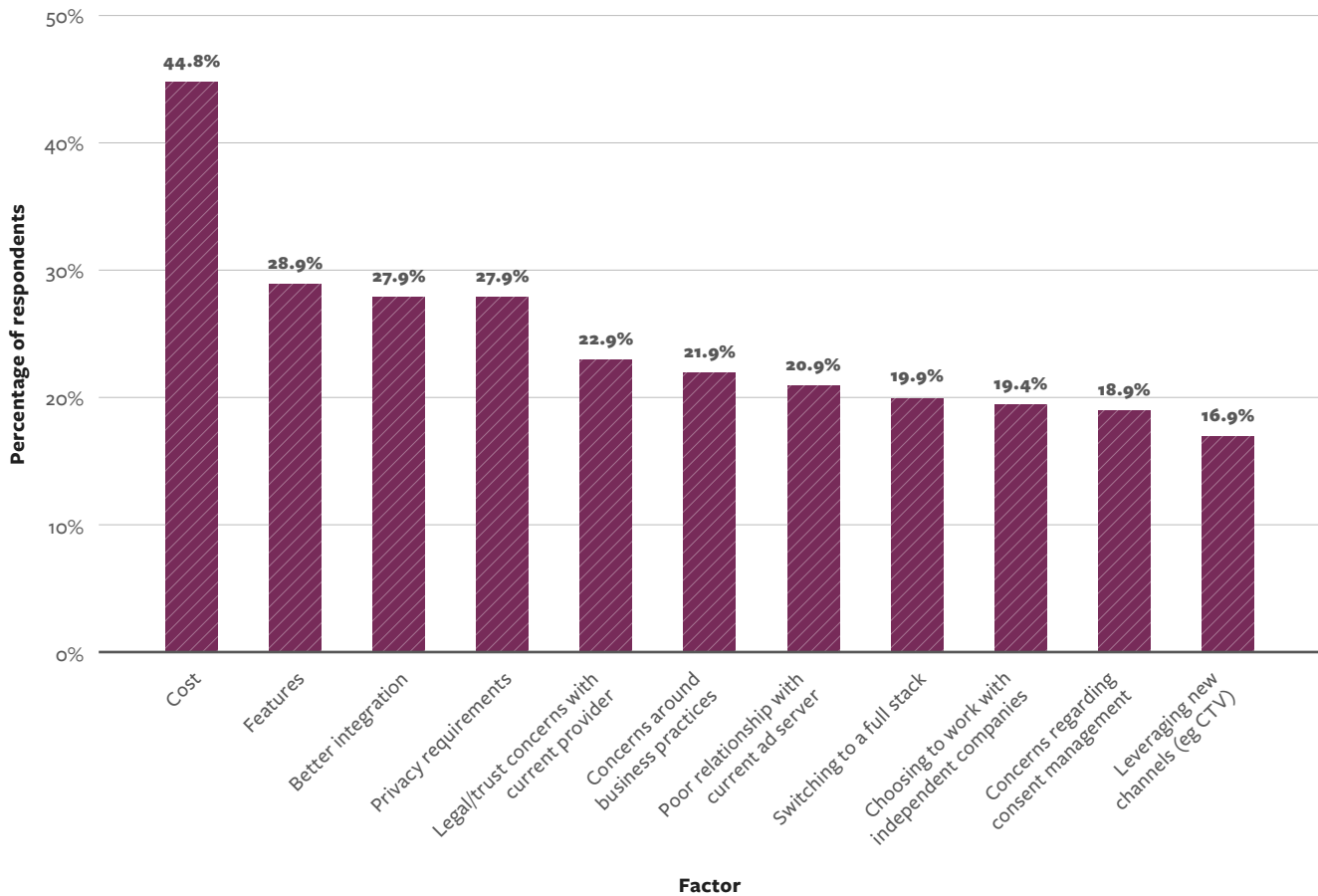
6.4/10
Leaving Google
Publishers using the Google stack are on average most likely to switch to a new ad server within the next 18 months, with a likelihood rating of 6.4.

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Factors for ad server selection

Figure 3: Factors driving shift to new ad server

Cost is the predominant factor behind ad server selection, with 45% of respondents noting it as an important factor, and is the most-commonly selected factor in the UK (58%) and France (49%). This is despite the fact that ad serving has become significantly cheaper in recent years, with the market responding to Google moving the monetisation higher up in the stack as explained earlier (*Section I — current use of ad server*). However, publishers continue to face significant market pressures, as demonstrated by recent layoffs affecting Buzzfeed News, therefore cost of any additional product or service is going to naturally remain top-of-mind, especially for smaller outfits. This is evidenced in the study, with cost cited as the dominant factor driving small publishers to shift to a new ad server, with 63.2% of respondents selecting this. Furthermore, despite being encouraged to build ad serving solutions during the pandemic (*Section I — time working with current ad server*), the cost savings of partnering with a third-party are most enticing for publishers which have currently in-housed ad serving operations, with over 85% of respondents here citing cost as an important factor.

45%

of respondents noting cost as an important factor behind ad server selection

63.2%

cited cost as the dominant factor driving small publishers to shift to a new ad server
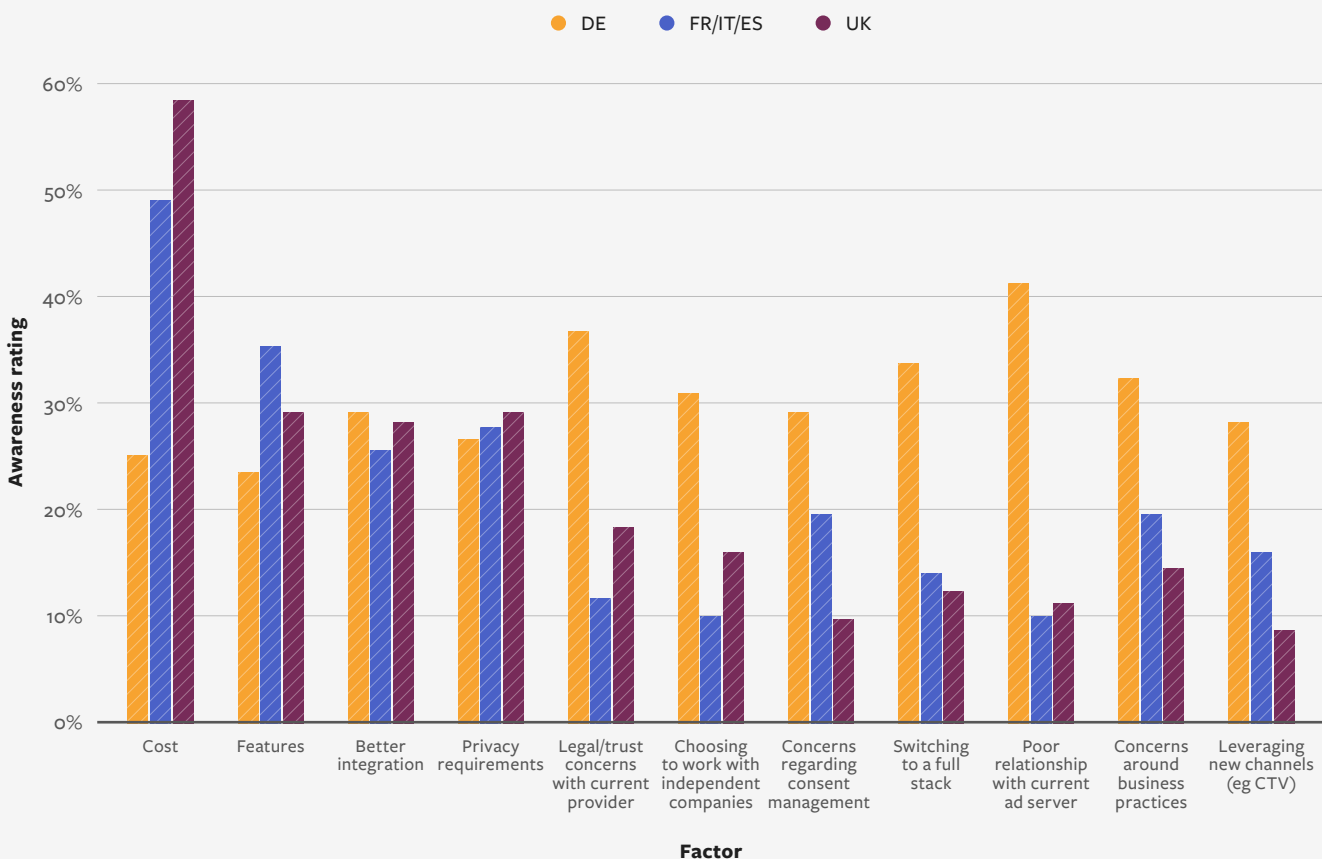
Contrastingly, large publishers were more concerned about factors including poor relationships with their current provider, concerns about business practices, legal and trust concerns with their current provider, and leveraging new channels.

Meanwhile, medium-sized publishers (revenue >£10 million, <£100 million) are seeking greater efficiencies within their stack, with integration, full stack capabilities, and cost the most pressing factors driving their decision-making when selecting a new ad server.

Alongside logistical concerns such as cost, features, and integration, privacy requirements were ranked as significantly important in publisher decisioning to switch to a new ad server, with 27.9% of respondents selecting it as a driving factor. Despite the looming deprecation of third-party cookies, this is expected to become more prevalent for European publishers in the coming months, with the proposed EU Digital Services Act carrying further rules on targeted advertising, including a prohibition on the use of targeting minors for advertising purposes.
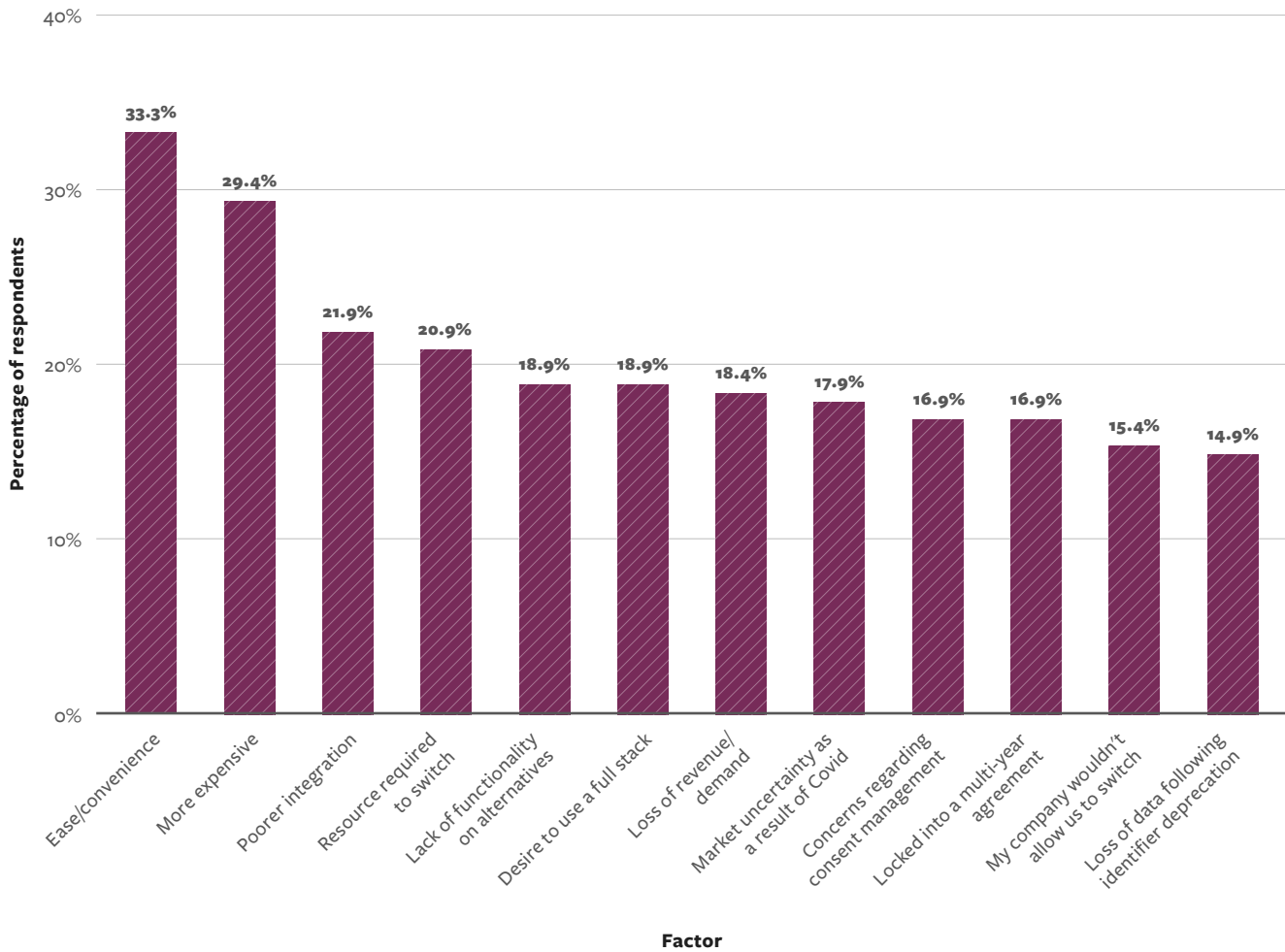
There are again marked differences between the German market and other European publishers. Cost is significantly less important as a driver towards shifting to a new ad server among German publishers, with only 25% of respondents selecting it. Here, poor relationship with the current provider (41%) and legal/trust concerns with the current provider (37%) were the predominant factors.

Figure 4: Factors driving shift to new ad server — by market

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Reasons against switching to a new ad server

Figure 5: Reasons against switching to a new ad server

> There's no one magic bullet either encouraging or discouraging publishers from selecting a new ad server, and is highly publisher-specific

Ease and convenience was cited as the most common reason for not switching to a new ad server (33%), closely followed by expense (29%). As previously discussed, resource issues remain preeminent for European publishers, therefore facilitating an easy and inexpensive transition to new services should be a priority for ad server providers and wider advertising technology suppliers. Ease and convenience is also the predominant factor (42%) as to why publishers would not look to switch away from Google, followed by poorer integration (28%); expense (26%); and desire to use a full stack (25%).

Notably, all factors, both for and against switching ad server, were each selected by ~15% or more of respondents, indicating there's no one magic bullet either encouraging or discouraging publishers from selecting a new ad server, and is highly publisher-specific.

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Section II.

Impact of industry trends

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Impact of privacy-mandated changes on choice of ad server

There is a fairly significant impact of privacy-mandated changes, such as the deprecation of identifiers across mobile and display, on choice of ad server for European publishers, with an average impact rating of 6.2.

As highlighted in the figure below, there is a marked split between publishers which were not affected by privacy-mandated changes, and those to which it had a substantial impact. Once again, publishers within Germany are more sensitive to non-resource factors than other markets, with privacy-mandated changes more likely to have an impact on choice of ad server here (7.9) than in FR/IT/ES (6.3) and UK (4.8).

Figure 6: Impact of privacy mandated changes on choice of ad server — all markets
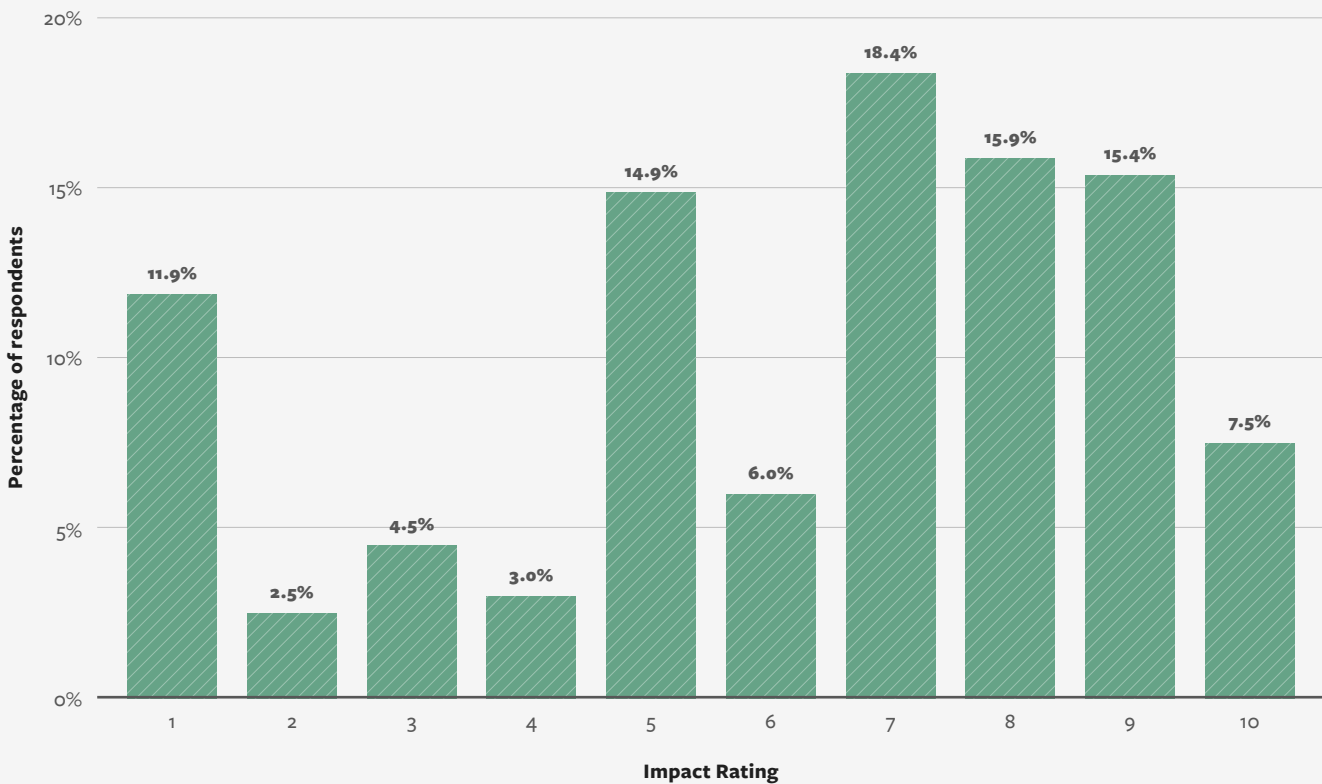
Privacy-mandated changes such as deprecation of identifiers and privacy-focused legislation are set to have more impact on publishers' choice of ad server where they are currently using Google Ad Manager (7.1) than those using independent ad servers (6.7). As these privacy-mandated industry changes are set to continue (*Section I — Factors for ad server selection*), it will be important to note going forward whether this currently minor difference widens, particularly given the somewhat troubled development of its privacy sandbox programme.

Figure 7: Impact of privacy-mandated changes on choice
of ad server — by publisher size
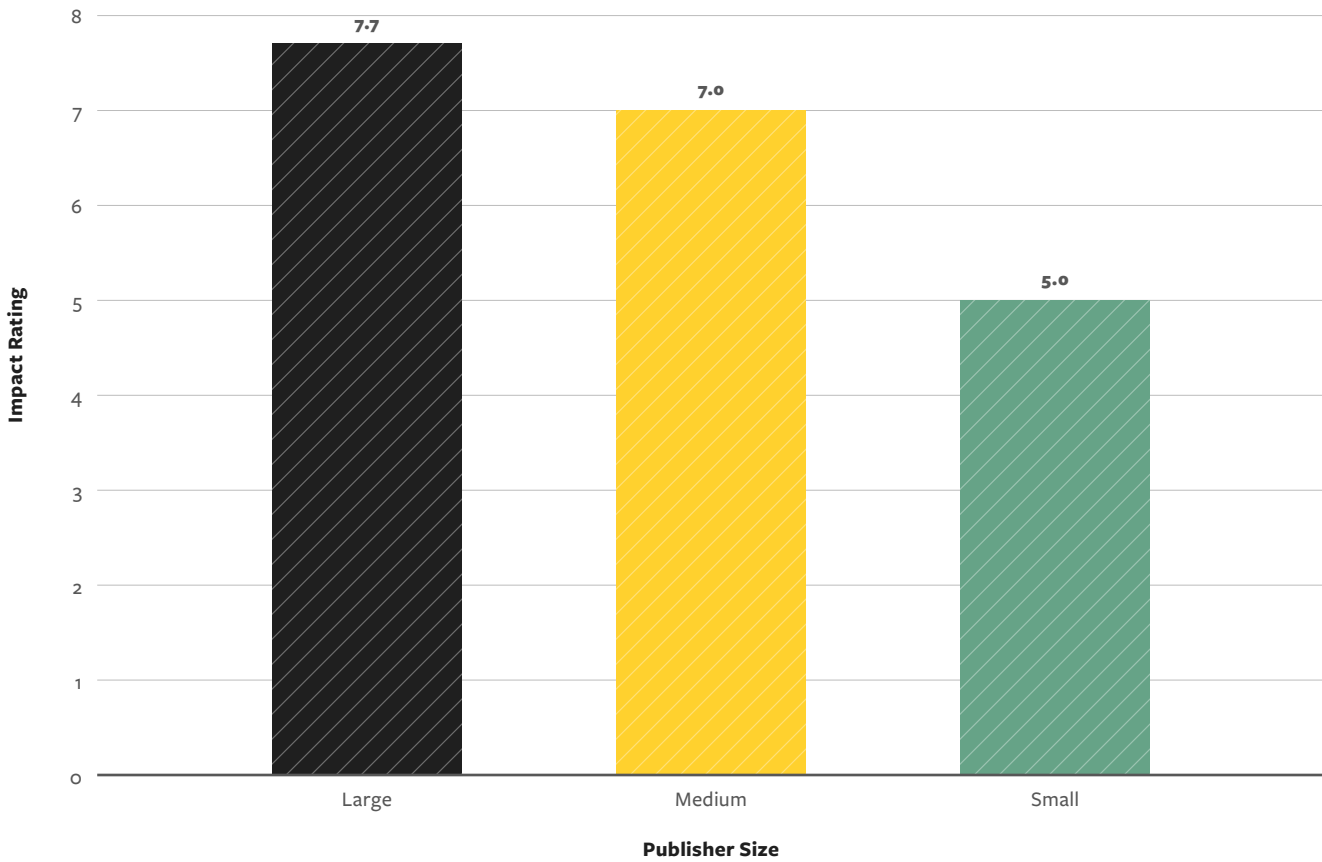
> Privacy-mandated changes have a dramatic impact on those already contemplating partnering with another ad server provider

Moreover, privacy-mandated changes have had a significantly stronger impact on large publishers' choice of ad server (7.7) compared to small publishers (5.0). As evidenced in the following topic (*Section II — awareness of industry trends*), smaller publishers were generally less aware of industry trends than larger firms, thus more effort should be undertaken by the wider industry to educate and inform smaller publishers to ensure they are fully aware of how looming changes are set to affect them. Given how smaller publishers are less likely to have large pools of authenticated users, and are more sensitive to resource issues (*Section I*), they are more likely to be exposed to these privacy-mandated changes, making this education piece especially important.

Finally, privacy-mandated changes have a dramatic impact on those already contemplating partnering with another ad server provider. Of publishers likely to switch ad servers within the next 18 months, privacy-mandated changes such as identifier deprecation and legislation have a much greater impact on their choice of ad server, with an average impact rating of 8.5, more than double that of those not looking to switch within the next 18 months (3.5).

Awareness of industry trends

Figure 8: Awareness of industry trends
— by publisher size

● LARGE   ● MEDIUM   ● SMALL
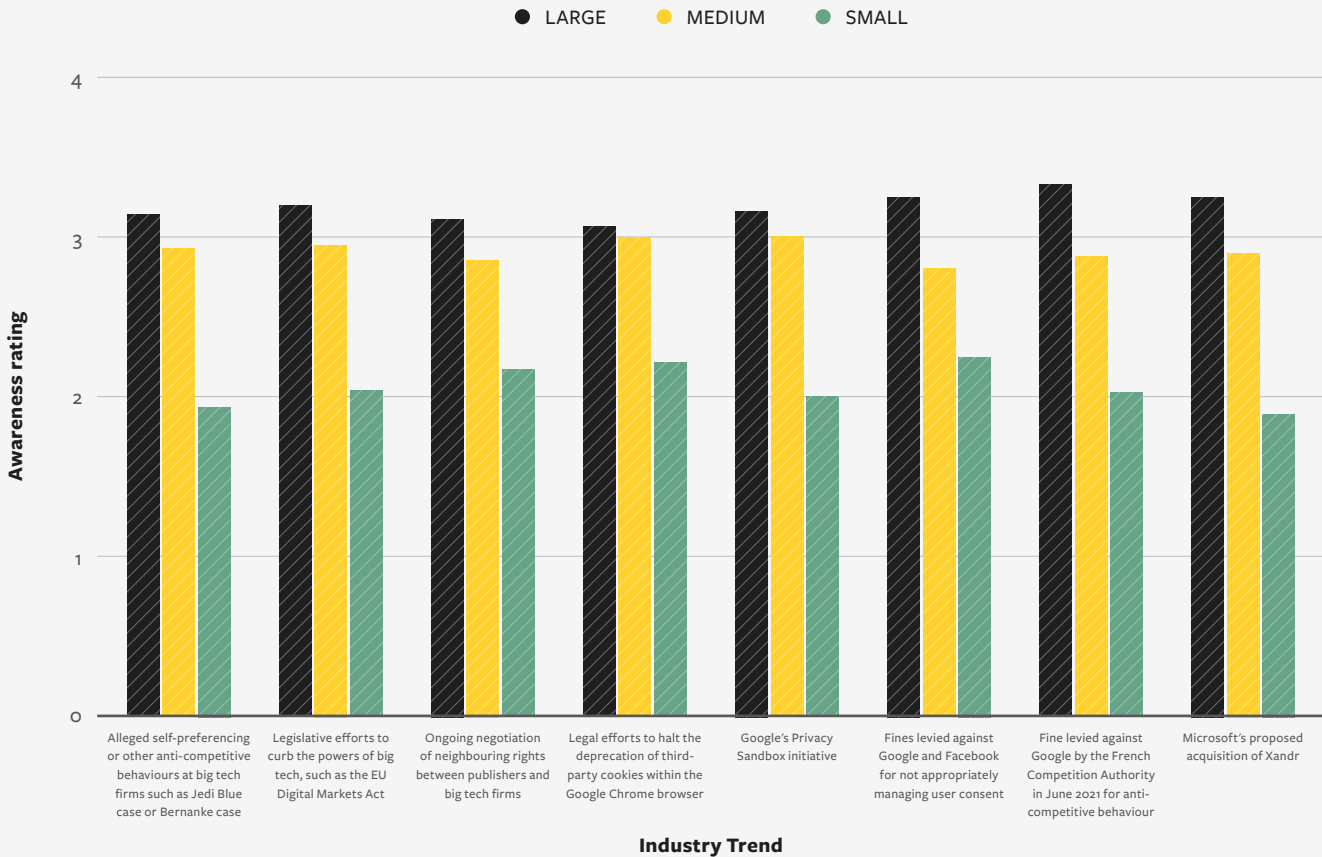
2.3 /4

average familiarity rating of publishers with industry trends and events

Publishers are generally familiar with industry trends and events, with an average familiarity rating of 2.3 out of four. However, small publishers were significantly less aware of the surveyed industry trends, with an average awareness rating of 1.89, close to half that of large publishers (3.24). The education piece is critical here given a number of factors, namely the effect self-preferencing has had on Google's market share (*Section I — current use of ad server*); smaller publishers being more exposed to privacy-related industry changes (*Section II — awareness of industry trends*); and smaller publishers having less inherent trust of big tech firms (*Section II — trust in big tech firms*), as, without this awareness, smaller publishers may be missing out on the opportunity to diversify their ad serving operations, and wider ad stack.

German publishers are generally more aware of industry trends, with an awareness rating of 3.1, than UK (2.1) and FR/IT/ES (2.5) publishers. Given how publishers within Germany are more likely to switch ad server as a result of legal and trust concerns (*Section I — factors for ad server selection*), this demonstrates the strength of this link between awareness and openness to diversifying to independent providers.

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Impact of industry trends

	Significant impact on company	Created a sense of uncertainty for the future	Reconsidering relationship with ad server	More likely to switch to a new ad server within the next 18 months
Alleged self-preferencing or other anti-competitive behaviours at big tech firms such as Jedi Blue case or Bernanke case	7.52	7.04	7.14	7.01
Legislative efforts to curb the powers of big tech, such as the EU Digital Markets Act	7.36	7.06	6.90	6.86
Ongoing negotiation of neighbouring rights between publishers and big tech firms	7.38	7.10	7.07	7.04
Legal efforts to halt the deprecation of third-party cookies within the Google Chrome browser	7.40	6.93	6.90	6.87
Google's Privacy Sandbox initiative	7.50	7.20	7.14	6.95
Fines levied against Google and Facebook for not appropriately managing user consent	7.21	7.13	7.02	6.85
Fine levied against Google by the French Competition Authority in June 2021 for anti-competitive behaviour	7.18	6.98	7.00	7.07
Microsoft's proposed acquisition of Xandr	7.50	7.03	7.04	6.93

The majority of surveyed industry trends had a substantial impact on European publishers, while there was a less strong corresponding effect on ad server selection and intention to switch ad server within the next 18 months.

Despite running against common assumption, fines levied against Google/Facebook for consent management are more likely to cause those with independent ad servers to reconsider their relationship with their current provider than those currently running Google Ad Manager.

Figure 9: Reconsidering relationship with ad server by industry event/trend
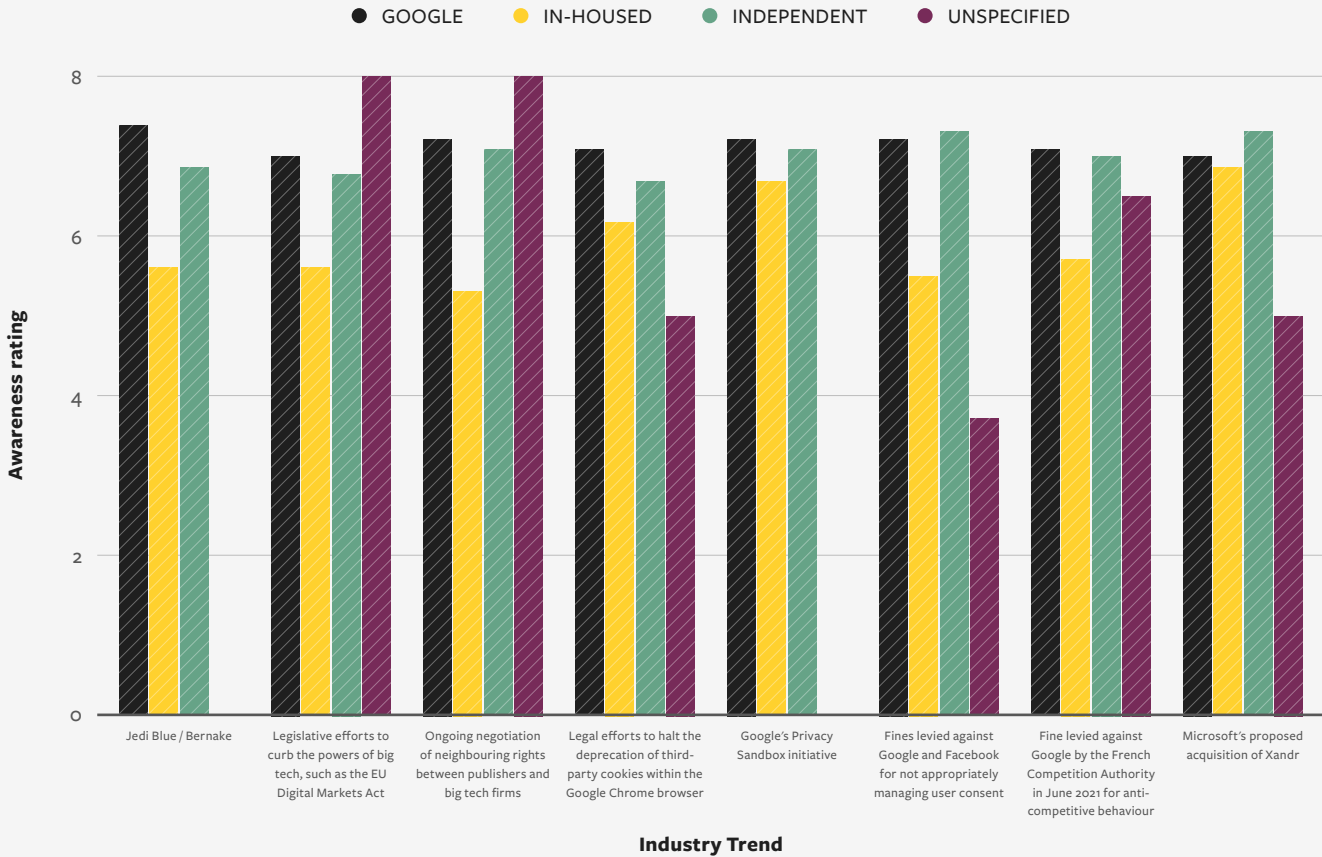
As detailed earlier, concerns regarding consent management are a highly important factor for publishers when deciding to remain with independent providers, our leading hypothesis currently is that if companies with the scale of Google and Facebook are being hit then publishers' assumption may be that smaller independents will also be hit with punitive action, and do not have the resources to take that impact without passing costs on to their partners.

> "Concerns regarding consent management are a highly important factor for publishers when deciding to remain with independent providers"

Regarding the lack of substantial difference between publishers on Google's stack and those with independent ad servers regarding the fine levied against the Californian firm for anti-competitive self-preferencing behaviour by the French Competition Authority in June 2021, apathy to anticompetitive action by Google and lack of corresponding punitive action against big tech providers has been cited as a possible explanatory factor. As Hervé explains, "I think that there is a general level of distrust in the industry because it's very opaque and this level of a opacity is resulting from some of Google's practices according to many regulators (it is also this level of opacity that allowed Google to engage in some of the anti competitive conducts that have been fined e.g. by the French authority with respect to 1) ad tech and 2) Google Ads, the latter being related to rules that precisely opaque and difficult to understand and by applying them in an unfair and random manner)."

Coupled with a fear of losing access to Google's demand following a switch away from its stack, such incidents could actually prove an incentive for publishers to remain with big tech providers, as evidenced in the previous finding on fines levied against Google and Facebook for their consent management practices.

Having access to first-party data is a win. Doing nothing with it is a massive missed opportunity.

Hervé adds, "The main reason I repeatedly hear from publishers as to why they do not want to switch ad servers is that they are afraid of losing access to Google's demand. There is the idea that nobody gets fired for choosing Google — so Google remains the safe bet, despite it being a seemingly irrational decision considering all the self-preferencing that is going on.

Revealing the self preferencing conduct has a double effect: in a way some publishers might then decide to switch ad servers, but on the other hand it may comfort the publishers that they should stick with Google, precisely because of this degree of self preferencing, since otherwise they would lose access to a significant share of demand of advertisers that use Google's products."

"The main reason I repeatedly hear from publishers as to why they do not want to switch ad servers is that they are afraid of losing access to Google's demand."

Mikaël Hervé
Vice president of Charles River Associates

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Acknowledgements

SAMPLE & METHODOLOGY

The original quantitative research outlined in this report is derived from a survey of 150 publisher professionals working within the European region. The surveyed countries were France, Germany, Italy, Spain, and the United Kingdom. Data was collected from 1st March to 18th March.

ABOUT SMART ADSERVER

Smart is the leading independent ad monetisation platform built for premium publishers to serve demanding buyers. Our fully transparent platform and shared-interest business approach enables premium publishers and brands to get their fair share of ad value at every opportunity, on their terms. Publishers can act with certainty and have the control of all the variables for the right blend of transaction models, channels and formats while activating the right audience data for value path optimisation.

For more information, please visit www.smartadserver.com

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We offer actionable market intelligence on the trends and innovations that are shaping the media, marketing and commerce industries.

We're always interested in any technology and business-related news globally, and in particular across EMEA and APAC. Relevant companies are encouraged to get in touch. We're also interested in hearing from PR people working with companies in any of the areas named above.

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