

## PRESS RELEASE

### **The CNMC publishes a study on the online advertising sector in Spain**

- It analyses the competition conditions and warns that there is a high concentration level.
- It estimates that Google and Facebook absorb more than 70% of the market revenue.
- It points out risks such as opacity and other behaviours, which can reduce consumer welfare.
- It makes a series of recommendations to improve competition and regulation in this type of digital market.

**Madrid, 26 July 2021.-** The CNMC today presented the "Study on the competition conditions in the online advertising sector in Spain" ([E/CNMC/002/19](https://www.cnmc.es/E/CNMC/002/19)). This type of advertising has become the main source of financing for disseminating content over the Internet and is the main way in which platforms such as Google and Facebook obtain income.

Advertising is a key element for any company when it comes to competing as it allows companies in any sector to inform current or potential consumers about their products. In recent years, online advertising has undergone significant changes, thanks to new technologies (especially with regard to data management). These have increased its potential when it comes to personalizing ads, measuring their effectiveness, and expanding the number of transactions faster and in real time.

### **Spanish market**

According to the information obtained by the CNMC, online advertising in Spain generated around 3,450 million euros in 2019, with growth rates of 20% year-on-year, and exceeded the advertising revenue jointly generated by traditional media (TV, press and radio)

On the one hand, advertising in general search engines amounted to approximately 1,500 million euros, of which Google was able to absorb more than 90%. On the other hand, display advertising (videos, banners, social media formats, native advertising, etc.) generated about 1,950 million euros, of which Facebook (including Instagram) was able to capture more than 40%.

Within display advertising, the part that is growing most are the 1,150 million euros generated by globally established platforms such as Facebook, Amazon or YouTube (the latter owned by Google), which sell their own advertising inventory. The remaining 800 million euros make up the so-called open display, where publishers of different sizes and national audiences (such as digital newspapers, Internet TV and radio) negotiate their advertising space with advertisers or agencies

*Unofficial document, intended for the media, and not binding on the CNMC. Reproduction permitted only if the source is acknowledged*

through intermediaries (such as buying and selling platforms) and other tools. Large platforms are also present in these intermediation tasks for third parties, where Google stands out with market shares of between 50% -70%, depending on the type of service.

## Report conclusions

The analysis carried out allows the CNMC to extract a series of **conclusions**:

- There is a **remarkable concentration** in the sector in Spain: Google absorbs more than 50% of the total income and Facebook more than 20%, so together they have more than 70% of the market.
- The trend towards concentration is explained especially by the **role of data accumulation**, which is configured as a variable of competitiveness of these companies that can act as a barrier to entry or growth of new companies that want to enter the business.
- There are **opacity and lack of transparency problems**, which make it difficult for advertisers and publishers to make decisions. Advertisers, especially small ones, may not know where their ad has appeared. Publishers do not have full information on which advertiser has appeared on certain visits to their website. Both agents, advertisers and publishers, may be unaware of the cost of certain intermediation services.
- **Vertical and horizontal integration (their presence throughout the value chain and in related services)** of platforms (especially in the case of Google) generates risks that they extend the market power of some services to others (leveraging) or that they favour their own services (self-preferencing).
- Competition problems can end up reducing the positive impact of online advertising on efficiency and on consumer welfare.

## CNMC recommendations

Based on this analysis, the CNMC undertakes a series of **recommendations** to improve competition within the sector:

- Competition authorities must keep applying competition policy continuously and decisively as the first line of defence in the online advertising market.
- The tools available to competition policy must be complemented with the regulation on digital platforms as it is being addressed in the future European regulations on digital markets (DMA, Digital Markets Act).
- The complex relationship between consumer protection and its privacy and the promotion of competition in digital markets must be considered when defining the role of the consumer and ensuring their maximum well-being.
- A multidisciplinary and cooperative approach is required between the institutions involved due to the challenges associated with online advertising.
- There is a need to strengthen the capacities and means of the competition and regulatory authorities.

*Unofficial document, intended for the media, and not binding on the CNMC. Reproduction permitted only if the source is acknowledged*

The CNMC is the independent market regulator that guarantees and promotes the existence of effective competition for the benefit of consumers and users. This study is carried out within the framework of its competition advocacy functions.

*Unofficial document, intended for the media, and not binding on the CNMC. Reproduction permitted only if the source is acknowledged*