

October 17, 2024

The Honorable Jim Jordan
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20510

Dear Chairman Jordan:

I am writing on behalf of Dentsu Americas (“Dentsu”) in response to your October 3, 2024, letter to Mr. Michael Komasiniski. Dentsu appreciates the opportunity to allay any concerns that the recently announced research project with The 614 Group gives rise to any anticompetitive issues, constitutes any kind of effort to revive the now-disbanded Global Alliance for Response Media (“GARM”), or was intended to do anything other than promote all forms of journalism. Recognizing the confusion that has surfaced surrounding the initiative, Dentsu has elected not to pursue the initiative referred to as the “Dentsu Coalition” and further not to pursue any other effort with similar aims.

By way of background, Dentsu is a worldwide advertising agency that works with clients to nurture and develop innovations that drive outcomes through media and marketing communications. Globally, Dentsu employs more than 71,000 innovators, (approximately 13,000 in the Americas, and 7,000 in the United States.) With 123 years of experience in the industry, Dentsu serves more than 1,000 clients across 145 markets and is a trusted long-term strategic partner to several Fortune 100 companies, many with whom we have partnered for 10+ years. Our media brands, Carat, dentsu X and iProspect, are full service, end-to-end agencies delivering media strategy, planning, activation, optimization and analysis and insights. Dentsu media clients span all industries and sectors, from healthcare to food & beverage, automotive and non-profit.

Before discussing the nascent effort that is the subject of your letter, we want to provide our perspective on the issues facing advertisers and publishers of news. Newspapers, magazines, and other forums that communicate current events and analysis in print and digital formats are currently grappling with declining ad revenues and shifting advertiser budgets as they struggle to adapt to increased advertiser focus on social media platforms and changes in consumer behaviors.¹ Advertisers are increasingly shifting their budgets away from traditional news outlets

¹ Oliver Darcy, *News outlets are collapsing as advertisers flock to social media platforms. It has major implications for society*, CNN (Feb. 28, 2024, 7:15 AM), <https://www.cnn.com/2024/02/28/media/news-outlets-collapse-advertisers-flock-to-social-media/index.html>; Anthony Vargas, *News Corp Earnings Illustrate The News Industry's Ad Woes*, ADEXCHANGER (May 9, 2024, 10:47 AM), <https://www.adexchanger.com/publishers/news-corp-earnings-illustrate-the-news-industrys-ad-woes/>; Bobby Allyn, *Digital news sites fight to survive as online ad dollars dry up*, NPR (May 1, 2023, 5:02 AM), <https://www.npr.org/2023/05/01/1172996849/digital-news-sites-fight-to-survive-as-online-ad-dollars-dry-up>; Michael Lipka & Elisa Shearer, *Audiences are declining for traditional news media in the U.S. – with some exceptions*, PEW RSCH. CTR. (Nov. 28, 2023), [1](https://www.pewresearch.org/short-</p></div><div data-bbox=)

to social media platforms, which are typically absorbing significant advertising dollars that once flowed to news outlets.² This shift is driven by the ability of social media platforms to offer more effective targeting and access to larger, younger audiences by creating well-designed platforms/websites and utilizing tools to identify specific audiences.

The migration of ad dollars to social media has had devastating effects on news organizations. For example, according to News Corp's 2024 Q3 earnings report, the company experienced a 1% year-over-year decline in total revenue, primarily due to a 13% drop in ad revenue from its News Media publishing group (that includes News Corp Australia, News UK, and New York Post brands).³ This decline was attributed to decreases in both print and digital ad income, with the News Media division seeing ad revenue fall to \$193 million. The Dow Jones publishing group (that includes The Wall Street Journal, Barron's and MarketWatch) also reported a 2% drop in total ad revenue, driven by an 11% decrease in print ad sales, although digital ads grew by 4%.⁴ BuzzFeed announced significant staff cuts and Vice Media ceased publishing on its website as it pivoted to a new business model.⁵ Hundreds of local news outlets have also closed their doors as advertising dollars disappeared, highlighting the severe impact on the news industry.⁶ Ad revenue continues to be negatively impacted by a broader trend of declining audiences for traditional news media (*i.e.*, local TV stations, most newspapers and public radio).⁷ Daily newspaper circulation, including both digital subscriptions and print circulation, continues to fall, with weekday circulation down 8% from the previous year and 32% from five years prior.⁸ This decline in audience size translates to reduced advertising revenue, as fewer readers mean fewer opportunities for advertisers.

The challenges facing the industry are made worse by automated technologies that mimic ad clicks, and thereby artificially inflate metrics used for ad pricing. These technologies such as bots and domain spoofing are often referred to in the advertising industry as "ad fraud" or "tech fraud." It is estimated that \$84 billion of ad spend was wasted due to ad fraud in 2023, with this number projected to increase to \$172 billion by 2028.⁹ It can be difficult to detect ad fraud, and the increased sophistication of generative AI will make detection more difficult as generative AI makes it easier to create and refine falsified data patterns to appear more realistic.¹⁰ A recent study found a 23% year-over-year increase in new ad fraud scheme variants in 2023, with 269%

reads/2023/11/28/audiences-are-declining-for-traditional-news-media-in-the-us-with-some-exceptions/#:~:text=Advertising%20revenue%20for%20newspapers%20has,held%20steady%20in%20recent%20years.

² Darcy, *supra* note 1.

³ Vargas, *supra* note 1.

⁴ *Id.*

⁵ Darcy, *supra* note 1.

⁶ *Id.*

⁷ Lipka & Shearer, *supra* note 1.

⁸ *Id.*

⁹ Paula Chiochi, *Ad Fraud: The Biggest Threat To The Advertising Industry*, FORBES (Nov. 7, 2023, 7:30 AM), <https://www.forbes.com/councils/forbesagencycouncil/2023/11/07/ad-fraud-the-biggest-threat-to-the-advertising-industry/>.

¹⁰ Marty Swant, *Updated: DoubleVerify report, Ad fraud schemes using generative AI will increase in scale, sophistication*, DIGIDAY (June 18, 2024), <https://digiday.com/media-buying/doubleverify-report-ad-fraud-schemes-using-generative-ai-will-increase-in-scale-sophistication/>.

more variants in bot fraud schemes targeting streaming platforms.¹¹ Generative AI also makes it easier to spoof domains and replicate sites and apps, which results in advertiser funds being diverted from publishers.¹² This rampant ad fraud undermines the value of digital advertising, decreasing investment in digital advertising in news and contributes to the challenges in the digital news industry.

In the face of these challenges, many advertisers have taken to blocking broad swaths of the news category generally. In Dentsu's experience, much of this blocking has been overbroad and has unnecessarily depressed spending on advertising in news. We believe that news publishers are eager to find ways to regain the business and trust of advertisers. Prices available for advertising in the news are very competitive in contrast to other channels, which presents attractive opportunities for advertisers. Not all advertisers recognize that value and opportunity, however. The need to help advertisers plan their advertising spend in this environment has been of considerable interest in the industry. For example, Prohaska Consulting spearheaded an industry initiative focused on news publishers and ad revenue.¹³ Similarly, The Stagwell Group launched an initiative to reinvigorate the relationship between news and marketing.¹⁴ Nonetheless, advertisers continue not to leverage the full potential of advertising on news platforms.

Against this backdrop, an informal discussion between Dentsu and The 614 Group (a small research and consulting firm based in Roseland, New Jersey) in November 2023 gave rise to the idea to research and study news advertising. The 614 Group led the initiative, including securing seed funding, writing promotional materials, and seeking participation from potentially interested parties, including news publishers and consumer advertisers. The goal of the research initiative was to provide insights for advertisers and the full spectrum of the news industry on how best to optimize their ad spend in news and the potential for increased ad spend in news. From Dentsu's perspective, the success of the initiative depended on the support (financially or otherwise) of all stakeholders in news – advertisers and all facets of the publishing industry.

Dentsu announced this research initiative on September 4, 2024, with a press release entitled, "Dentsu and The 614 Group Spearhead a New Coalition to Enhance Investment in News." It is clear, with the benefit of hindsight, that some of the language of the press release (drafted by The 614 Group) was hyperbolic in describing what is actually a relatively modest research effort by The 614 Group to better understand advertising spending on digital news sites, the potential returns for doing so, and ways to increase that spending. Dentsu has never viewed this effort as anything other than that – and it certainly at no time contemplated the work of a small consulting firm to be anything like GARM, either in its work or its scope.

To be clear, Dentsu did not intend or understand that the initiative would replace or succeed GARM. As your letter notes, the MediaPost article unfortunately mischaracterized The

¹¹ *DoubleVerify: Gen AI Driving Significant Increase in New Ad Fraud Schemes and Variants*, DOUBLEVERIFY (June 17, 2024), <https://doubleverify.com/newsroom/doubleverify-gen-ai-driving-significant-increase-in-new-ad-fraud-schemes-and-variants/>.

¹² Swant, *supra* note 10.

¹³ *The Rebranding of News*, PROHASKA CONSULTING, <https://prohaskaconsulting.com/rebranding/#download-ron> (last visited Oct. 15, 2024).

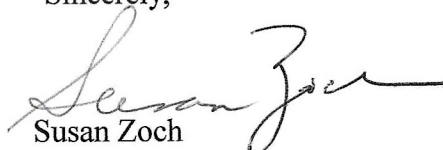
¹⁴ *Meet the Future of News*, STAGWELL, <https://www.stagwellglobal.com/future-of-news/> (last visited Oct. 15, 2024).

614 Group's effort in a story on September 5 ("Dentsu Unveils Post-GARM Ad Coalition, Backs Credible News Media"). While the article accurately noted that Dentsu had not indicated that the initiative was related to GARM, the article's headline nevertheless erroneously implied that such a connection existed.

To the best of Dentsu's knowledge, the "coalition" envisioned in the press release to this day has only ever existed conceptually. Dentsu is not a party to any sort of governing documents or principles, there have not been any formal meetings of interested parties, and the only activity was the pursuit of additional partners for the research effort. In fact, the research project did not even have a formal name.

Dentsu appreciates the opportunity to clarify the matters addressed in your letter. Please do not hesitate to contact James D. Barnette (jdbarnette@venable.com or 202.344.4775) if we may answer any further questions or otherwise be of assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan Zoch".

Susan Zoch
General Counsel, Americas

cc: The Honorable Jerry L. Nadler