

Dear CMA,

CMA Study of Online Platforms and Digital Advertising (also submitted in hard copy)

PPA welcomes the CMA launching this market study of online platforms and the digital advertising market.

The digital advertising market has changed the landscape of publishing; whether the new market economics can support publishers to the same extent as it previously did is in doubt. Publishers invest millions of pounds in understand their audiences and verifying reach, while other platforms offer little or no verification for advertisers.

At present, digital advertising has not achieved the revenues publishers achieved in print advertising. For example, publishers would have to sell a considerable number of display ads in order to match a Front-of-Book double-page spread in a print magazine. As it stands, publishers struggle to monetise digital advertising, as shown in Figure 3. For every dollar spent by an advertiser, publishers receive less than a third of the investment. The share taken by agencies and other providers across the digital supply chain impacts publishers, yet there is little transparency about how these markets operate.

The development of online platforms such as search engines and social media companies have disrupted the traditional media landscape, bringing with them new ways for publishers to reach audiences. However, in doing so they have often introduced a lack of transparency for both advertisers and consumers. Our industry spends millions of pounds each year to provide robust, audited, and verified audience reach through PAMCo and ABC^[i] while these digital giants use market dominance with little or no verification.

Their ascendancy has been driven in part by sharing of publishers' content. This has allowed platforms to build a revenue model based on advertising placed around content, without having to invest in the creation of that content. Where revenue is shared with publishers, there is little or no transparency concerning the reasons for the success in delivery of one advertisement over another, leading to uneven power relations favouring platforms, and complex relationships as platforms vary on what they offer publishers in return for use, repackaging and linking to content owned by publishers.

Digital advertising spend is rapidly expanding^[ii], and the real benefits are only felt by a few players, particularly Google and Facebook. Both receive the majority of digital advertising revenue in the UK. The market power of these platforms is harming competition and creating barriers for magazine publishers to generate sizeable revenue from digital advertising to re-invest in their businesses.

In research conducted by AEMII for Future Media Lab / European Magazine Media Association (2016) for every £1 spent by advertisers in the digital market, just 29 pence reached the publisher.^[iii] Similar research conducted by Plum Consulting for the Cairncross Review found between 43 and 72 pence reached the publisher. Actual figure varies by platform and published, but both research sets demonstrate a lack of true transparency and competition in the market.

Publishers feel unable to negotiate, as would be the place in a functional market, and instead have terms dictated to them on a "take it or leave it" model, meaning platforms use their content to build audiences, sell advertising around that content, yet will not enter commercial discussion over the share of value that should be attributed to the content creator.

Hence, the platforms' market power distorts competition in the digital economy, having direct implications for businesses who produce high-quality journalism in the UK – a significant risk of

negative outcomes for consumers who read publishers content for news, entertainment, education and information.

If the digital advertising market and distribution of publisher content through online platforms is not resolved in an equitable fashion, brands will be forced to disinvest in content creation or close, lessening competition for consumers.

We therefore consider this to be a timely investigation and hope the CMA will include media voices when it comes to developing action points to ensure that the voices of the tech industry do not undermine press publishers.

Finally, it is worth noting that although the CMA has defined platforms as 'publishers' we do not consider these platforms to be publishers, certainly not in a conventional sense. They do not meet the regulatory or editorial tests to be considered so. We assume the CMA has used the term 'publisher' here as shorthand for distributors of advertising.

PPA has a number of confidential studies and pieces of work in this area we would be happy to share with the CMA as part of the market study. We would equally be delighted to facilitate a stakeholder workshop with relevant publishers in order for the CMA to hear directly from practitioners in the sector. Please contact my colleague [REDACTED] if you would like us to arrange a meeting, or if there is any further information we can supply.

Yours faithfully,

Owen Meredith
MANAGING DIRECTOR



The Professional Publishers Association
The White Collar Factory, 1 Old Street Yard, London, EC1Y 8AF

T 020 7404 4166 M 07816 156925
www.ppa.co.uk @OwenMeredithPPA
