



'UNLOCKING DIGITAL COMPETITION'

Response to CMA's Online platforms and digital advertising
market study consultation by Whitereport Global Limited

30 July 2019
Whitereport Global Limited
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Founder & CEO

This is a public document submitted by Whitereport Global Limited to the Competition & Markets Authority (CMA) consultation on Online platforms and digital advertising market study.

Preface

This is a Response Document ('Response') submitted by Whitereport Global Limited ('Whitereport') on 30 July 2019 via e mail to onlineplatforms@cma.gov.uk in response to CMA's consultation on *Online platforms and digital advertising market study* published by CMA on 3 July 2019.

As an innovative data scale up and experienced media analyst, we at [Whitereport](http://www.whitereport.co.uk) focus on the data and business sides of the media and advertising markets, analyzing 1000+ UK media companies from the Whitereport database (including commercial, financial and ownership data of both traditional content providers and global platforms). We share new evidence and insights with CMA and the public below as a contribution to the consultation.

We are happy to follow up with CMA to consult further. We would be glad to offer our unique data and consulting services to fill in gaps and support evidence based decision making of CMA.

As the original documents and approach of the CMA study are very comprehensive, in our Response we only highlight a few additional views derived from our data and insights. For the sake of simplicity we refer to our findings as WR#1, WR#2 etc.

The source of the photo on the cover page is given below.¹



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¹ <https://www.yak-casein.com/uploadfile/banner/201808/2018820154334785.jpg>

Executive summary

In our **Response** we use chess as a symbol and an illustration – but unlike chess **any new regulation or policy should not be a zero-sum game, but a win-win for all stakeholders.**

WR#1. We recommend that CMA should consider integrating **more of the innovative and independent, 3rd party data and analysis** tools that is available on top of listed methods in evidence gathering in order to have the most accurate view on the new cross-media reality for evidence-based decisions and actions.

Whitereport data and our analysis suggest that the advertising and media market has become as divided between online platforms and traditional media (including publishers, television, radio etc.) in the 21st century as the black and white sides of the chess board – in terms of ad sales techniques, media and campaign metrics, data collection, geographic patterns, market power and so on. However, online platforms and traditional media are also highly linked and mutually depending on each other.

WR#2: We recommend that CMA should further investigate whether online platforms (especially their display advertising business) and traditional media are **one ecosystem** in the advertising market. A deeper analysis might also include a greater understanding of the currently divergent approaches in regulation and their historical reasons.

Identifying the currently **divergent standards** might help design a **more universal, cross-media regime of advertising market competition rules.**

WR#3: It would be worth analyzing whether online platforms are able via 'unified' logins (or by other functions) to be the **gatekeepers** of media consumption or in the advertising value chain or not - and what it means for competition.

WR#4: If market definition changes, **new rules and holistic indicators** are required to support and monitor competition in the advertising market.

WR#5: Among potential remedies, we recommend that CMA should analyze whether new, for-competition rules might also mean **de-regulating** traditional media in certain aspects. It also raises the question of what "media" is, how "media" is defined in the 21st century (even if media definition is out of scope here).

Whitereport evidence and forecast suggests that current regime of advertising and media market rules would not lead to a sustainable market even in 5-8 years. As data provider and consultant, we would be happy to take an active part of this process by providing further data, insights and consulting by Whitereport to CMA to contribute to a more sustainable future.

Response

As written above, our Response is to highlight a few additional issues we would recommend that CMA should consider in their further analysis.

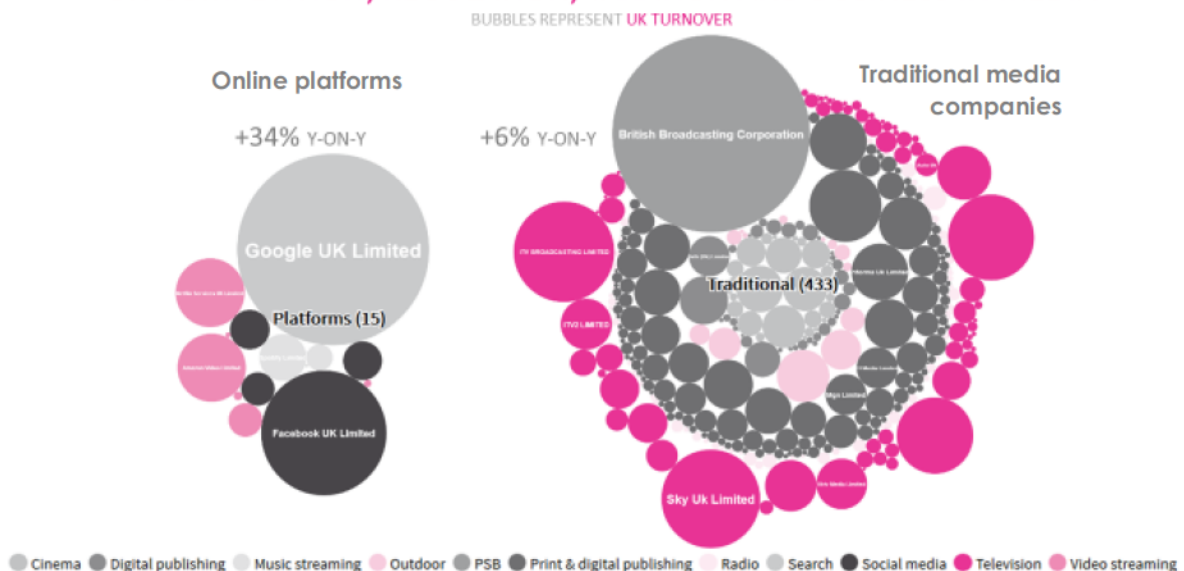
Evidence gathering

Challenges to unlock digital competition begin with evidence gathering. Current tools do not always properly cover the new, cross media reality because of the high and increasing fragmentation; while lot of the new research and data tools, developed by digital platform players, are often not independent.

WR#1. We recommend that CMA should consider integrating **more of the innovative and independent, 3rd party data and analysis** tools that is available on top of listed methods in evidence gathering in order to have the most accurate view on the cross media reality **for evidence based decisions and actions.**

Figure 1. Revenue of 447 UK media companies – bubble size is proportionate with revenue size. Source: Whitereport, 2018. Please note that revenue figures include all revenues (advertising, subscription, etc.).

OUR NEW EVIDENCES CHALLENGE THE CURRENT VIEWS ON COMPETITION, REGULATION, TAXATION AND BUSINESS IN MEDIA



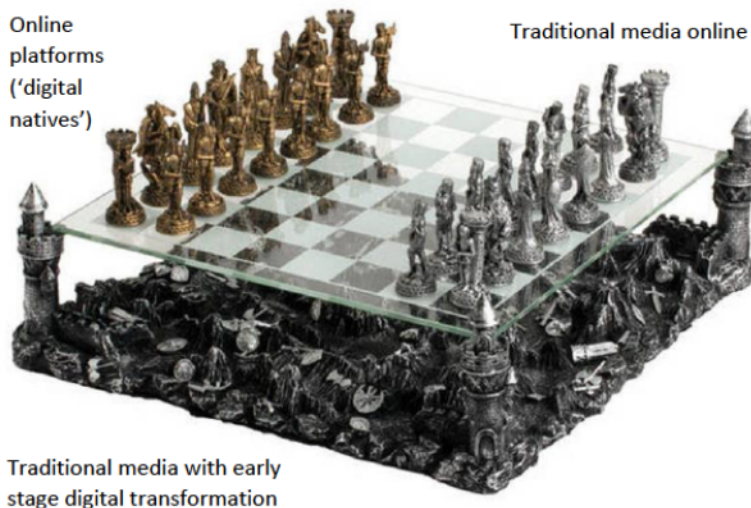
New evidences might suggest additional views. Whitereport data and visualization above is an example to show that UK media companies are divided into two segments. Figure 1 also suggests high fragmentation and 'internal' competition among traditional media companies. The total revenue size of traditional media firms is bigger currently, but their growth is limited. They paid £366m tax in the UK in 2018 while online platforms altogether paid £86m according to Whitereport data. The company size and growth differences between the sectors are indicative from potential market power point of view.

Description of the sector

We would like to highlight that however the subject-matter is *online platforms and digital advertising market*, we recommend a broader, cross-media view.

Figure 2. Chess board – we find this artistic piece² a great symbol of competing segments on the same board (as advertising market) for money and attention.

Note: early stage digital transformation means offline media companies whose digital services are in early stage and their revenues are mainly non-digital (e.g. some UK publishers have 7% digital revenues from the total)



Whitereport data and our analysis suggest that the advertising and media market has become as divided between online platforms and traditional media (including publishers, television, radio etc.) in the 21st century as the black and white sides of the chess board.

These two segments show different patterns in terms of ad sales techniques, media

and campaign metrics, data collection, geographic patterns, market power, financial and ownership background and so on.

However, online platforms and traditional media are also highly linked and mutually depending on each other. It is important to raise the issue if online platforms and traditional media need to be considered as one advertising ecosystem as they all compete for advertisers' money and consumers' attention?

As written in the Alphabet Annual Report 'We face competition from: [...] other forms of advertising, such as billboards, magazines, newspapers, radio, and television. Our advertisers typically advertise in multiple media, both online and offline. Other online advertising platforms and networks...'³

WR#2: We recommend that CMA should further investigate whether online platforms (especially their display advertising business) and traditional media are **one ecosystem** in the advertising market. A deeper analysis might also include a greater understanding of the currently divergent approaches in regulation and their historical reasons. Identifying the currently **divergent standards** might help design a **more universal, cross-media regime** of advertising market competition rules.

² Source: http://cdn2.bigcommerce.com/n-pkta5q/28nsxle9/images/stencil/1280x1280/products/483/798/CHH2127A_99220.1392843951.jpg?c=2

³ Source: Alphabet Annual Report 2017

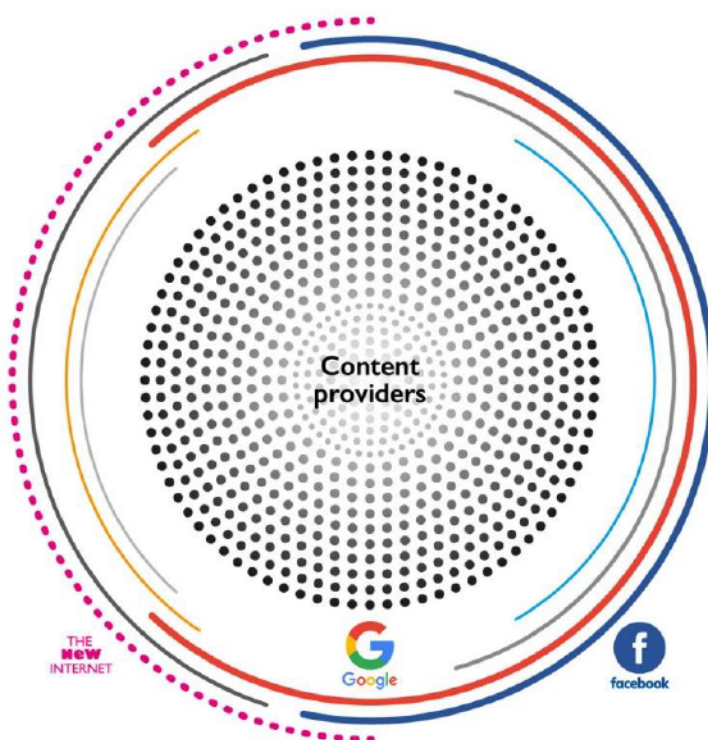
The proposed scope of the market study

On top of the recommendations of the CMA studies, we would like to highlight an additional aspect of fair competition in the advertising ecosystem.

In the digital economy consumers often pay for services (search, social media) with their attention and data. One of the 'price' paid by consumers for using great online services is **login requests**.

Figure 3. Platforms as aggregators of content and advertising – are 'unified login holders' gatekeepers in advertising market? A draft model by Whitereport.

Note: Stripes and dots are only symbolic, does not suggest business or consumer volumes.



As login requests are accepted by most of consumers, a personalized 'new internet' was born with trackable digital footprints that have become a currency in the digital space. On top of that some platforms, e.g. Google or Facebook often operate as 'unified login' for consumers to easily enter other services like content pages, webshops etc.

This new structure **let online platforms create powerful advertising services** with great targeting opportunities, and also

reaching a huge number of consumers globally with their detailed digital footprints. It resulted a higher level in hierarchy for login holder platforms in the consumer journey than other online services who otherwise benefit from this consumer friendly feature but began more dependent on traffic generating platforms.

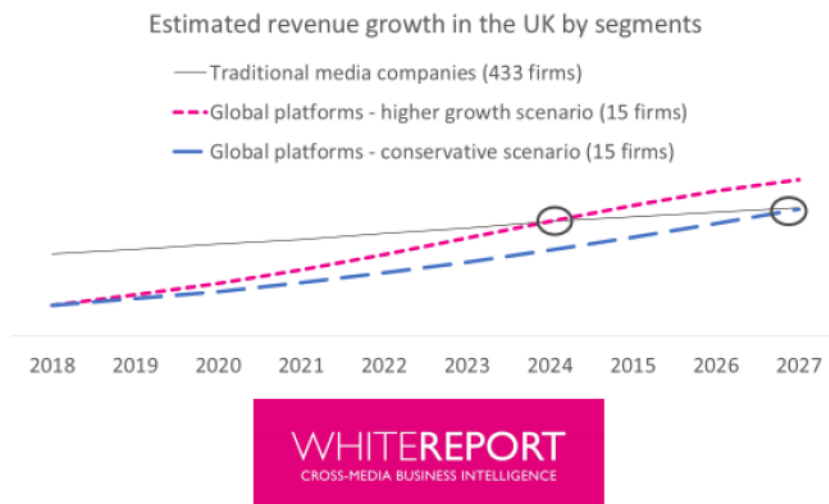
WR#3: It would be worth analyzing **wether online platforms are able via 'unified' logins (or by other functions) to be the gatekeepers of media consumption or in the advertising value chain** or not and what it means for competition.

Potential remedies

Welcoming all recommendations of CMA so far, we would like to add a few additional thoughts.

Whitereport evidence and forecast suggests that current regime of advertising and media market rules would not lead to a sustainable market even in middle term. The following years are crucial to design a future proof system with fair competition for each market segment.

Figure 4. UK revenue of traditional media companies' segment versus online platforms' segment in 2018 (advertising, subscription and other revenues), and estimated future revenues.



On top of CMA recommendations, we would like to highlight the importance of a future proof and flexible system that vitalizes competition in the advertising and media market.

WR#4: If market definition changes, **new indicators and holistic rules** are required to support and monitor competition in the advertising market.

There are many aspects to deal with for example:

- In terms of transparency
 - How to increase financial transparency of all players to measure performance, market shares?
 - How to support letting 3rd party audit and measurement on campaigns and audiences to help advertisers get better business intelligence, comparable performance, less fraud and better viewability on online platforms, while less depending on not independent own data of platforms?
- In terms of cross media approach in competition
 - What is the new ad market definition and how do you measure market share?
 - How much can the fragmented traditional media ad sales activities be unified/aggregated/concentrated to compete with the unlimited number of content providers in Google's display advertising network?
 - How to vitalize competition by supporting digital transformation of traditional UK media companies?
 - How to facilitate innovation to compete with online platforms in terms of building new potential revenue streams, for example offering automated, simple advertising tools for SMEs?
 - How could online platform be free to monetize their innovation in a way that is also good for consumers? etc.

WR#5: Among potential remedies, we recommend that CMA should analyze whether new, for competition rules might also mean **de-regulating** traditional media in certain aspects. It also raises the question of what "media" is, how "media" is defined in the 21st century (even if this definition is out of scope in this study).

About Whitereport

Database. KPIs. Reports. Consulting.

[Whitereport](https://www.whitereport.co.uk) is an innovative scale up founded by media expert Kinga Incze with a global mission to make the cross media market more transparent.

We are independent, operate as a 3rd party data service provider and consultant.

Due to Whitereport's comprehensive database of **1000+ UK media companies** aggregating public data, including financial, commercial and ownership data of traditional media and new platforms, we are able to provide **new evidences on the business side of UK cross-media market**.

We also provide cross media macro KPIs for the UK market that helps stakeholders to track

- How the media market is changing
- How the competition is increasing and doing
- How to adopt market changes in communication, media business, regulation, policy and litigation

Our expertise on both traditional media and online platforms and our new approach provides valuable help for B2B and B2G decision makers shape the 21st century media market.

We hope our contribution is valuable and would be happy to follow up with CMA. We would be glad to offer our unique data and consulting services to fill in gaps and support evidence based decision making of CMA.

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