

PPA Submission to the CMA's Online Platforms and Digital Advertising Market Study: Interim Report

**Call for Evidence**

Written Evidence Submitted by the Professional Publishers Association (PPA)

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Sent by email to [onlineplatforms@cma.gov.uk](mailto:onlineplatforms@cma.gov.uk)

**About Us**

The Professional Publishers Association (PPA) is the membership network for UK consumer magazine media, journal and business information publishers, representing around 220 of the UK's most renowned publishing houses. With more than 40 million adults in the UK reading magazine media every month, the sector is worth £4 billion to the UK economy, employing more than 100,000 people.

The PPA's membership incorporates the UK's largest publishing houses, including Bauer Media Group, Centaur, Condé Nast, Dennis Publishing, The Economist, Haymarket Media Group, Hearst UK, Immediate Media, TI Media, and William Reed Business Media as well as many smaller independent publishers. A full list of members can be found here: [www.ppa.co.uk/Resources/Members](http://www.ppa.co.uk/Resources/Members)

**Executive Summary**

PPA welcomes the opportunity to offer further feedback on the CMA's ongoing review into online platforms and the digital advertising market. This is a critical piece of work and of high importance to ensuring a competitive landscape in the digital economy.

The lack of competition in the digital advertising market has been well documented by the CMA in this report and we broadly support the CMA's interim conclusions and range of proposed remedies. The majority of PPA members rely, to some extent, on digital advertising revenues to fund editorial content and journalism and are presented with a 'take it or leave it' arrangement with the platforms. It is therefore disappointing that the CMA's provisional view is not to make a market investigation reference.

Since the development of digital advertising and rise of monopolistic platforms, our members have been subject to unfair and anti-competitive treatment. The lack of transparency, conflicts of interest and the leveraging of market power highlighted by the CMA in this interim report continue to undermine competition.

The interim report accepts there has been a market failure and that the dominance of Google and Facebook lessens competition. Additionally, publishers have raised concerns about the lack of competition in the digital advertising supply chain and how the duopolistic market positions of Google and Facebook provide little transparency for publishers to ascertain fair value in the supply chain.

In the responses below we provide, where possible, additional evidence and expand on our view and the interim conclusions reached by the CMA.

We hope the CMA will act in this review to intervene and break the market control exerted by Google and Facebook to the detriment of publishers who provide the content which is so widely shared on, and enriches, their platforms. Action is needed now to safeguard conditions for the sustainability of high-quality journalism; the bedrock of democracy and free press.

### Consultation Questions

**Question Five:** Do you agree with our analysis and findings in relation to competition in search and social media, as set out in Chapter 3?

We broadly welcome and share the analysis and findings outlined in Chapter 3, however greater attention should be paid to the uneven relationship between key market players and publishers that perpetuate anticompetitive behaviour.

Magazine media publishers communicate with readers around the globe via internet and digital platforms. Our members invest in quality curated editorial with content shared and access to products and services through online communities across platforms. However, there is a distinct lack of transparency around how users of those platforms interact with our content and limited data (which enables monetisation, particularly of free-to-read content) about engagement.

Their success largely rests on two key elements: the technology platforms they've built to support their businesses, and the business models these platforms enable. Digital platforms create value externally with digital partners and communities of users, enabling unprecedented growth and domination of digital markets.

We therefore welcome the CMA's recognition of Google as the leading market power and the how its dominance impacts smaller players operating in this space. Google's dominant position in the market means that publishers are reliant on the search engine to direct traffic and maximise readership. This leaves publishers building business models based around SEO for Google's platforms and subject to the whims and changes to Google's algorithms, with little to no transparency.

Publishers do not get sufficient warning of algorithm changes or sufficient explanation of their impact or appropriate measures to mitigate any loss of traffic.

Our members have been significantly affected by changes to algorithms which have materially impacted traffic and revenues overnight to both content and e-commerce sites. One publisher experiences a drop of 40% to 50% traffic due to a change in the Google algorithm. We therefore welcome the proposals to give fair warning and explain the basis of the changes.

The same can be said for competition in social media, although there are more players in this field that publishers have existing relationships with. Each social media platform has a different approach to hosting publishers' content and different audiences for publishers to reach through their content. The relationship between publishers and digital platforms vary; there is no model for this type of relationship. We therefore welcome the codification of these relationships as a remedy.

**Question Six:** Do you agree with our analysis and findings in relation to consumer control over data, as set out in Chapter 4?

Yes, although the chapter draws on many key themes being investigated through various ICO consultations and workstreams. There must be a joined up approach between these work streams to ensure no regulatory overlap, or loopholes.

**Question Seven:** Do you agree with our analysis and findings in relation to competition in digital advertising, as set out in Chapter 5?

PPA shares the Interim Report's finding on a lack of competition in digital advertising and welcome the recognition of the unfair relationship between publishers and platforms. We would like to see this work developed further, with input from publishers, to help the CMA understand how the current trading terms fail to deliver a fair share for publishers.

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. Failure to address (or investigate) this will lead to the continuation of inefficient outcomes and the prevalence of anticompetitive practises.

**Question Eight:** Do you agree with our assessment of the merits of a code of conduct for large online platforms funded by digital advertising?

We welcome the CMA proposal for the establishment of a regulator and a code of conduct to underpin relationships between platforms and publishers. This will improve transparency, accountability and help ensure reasonable commercial behaviour.

We believe this action can increase transparency over data/terms and information. As responsible publishers, our members abide by editorial and commercial codes of conduct and regulations – the SMS platforms should operate on a level playing field.

Given the overwhelming size and dominance of the SMS platforms, in particular Facebook and Google, the CMA would need to dedicate sizeable resource and sufficient legal power to properly sanction repeated breaches and ensure compliance with the codes of conduct once established. We broadly support representations made by others to the CMA that a new regulator should have power to fine and enforce codes that are equivalent to GDPR and those of the ICO in order to ensure engagement and compliance with these codes.

We support the conclusions that such codes should apply to those platforms with strategic market status (SMS), mainly Google and Facebook at present, and this definition should be future-proof to allow expanded scope should new platforms develop and become dominant in new markets.

**Question Nine:** Do you agree with the range of possible practices we have identified that could be considered under such a code of conduct?

A code of conduct between platforms and publishers would be a helpful tool to underpin commercial relationships, increasing transparency over data and information. Just as responsible publishers abide by editorial and commercial codes of conduct and regulations, so should SMS platforms.

We agree with the range included in the interim report, but stress that this is not exhaustive and further consultation representing different aspects of these relationships is needed.

It is essential that these codes have a pre-agreed review mechanism, given the pace of change in industry.

**Question Ten:** Have we identified the appropriate range of potential interventions to address the sources of market power for Google and Facebook?

The CMA's next report should explore the proposed interventions in greater detail, focusing on how their plans align with those suggested by other reviews and investigations conducted, namely the Furman Review into competition in digital markets.

A full market investigation referral should be reconsidered. We believe that a structural separation of these companies and their business portfolios should be properly evaluated, with greater attention paid to how these interventions would impact publishers. Given the significant size and scale of Facebook and Google, network effects must still be realisable by the separated parts and such a move could encourage much greater competition and innovation (not just between smaller search engines and publishers/platforms but between the parts of the SMS platforms).

It is also important to consider this are not solely an issue of publishers matching economies of scale, but their ability to manage relationships with them. These relationships should have more focus in the final report and will add further grounds for a full market investigation.

CMA needs to be proactive on future tech and social media acquisitions as well as current business structures, to prevent further lessening of competition in the digital advertising market.

**Question Twelve:** Have we identified the appropriate range of remedies to address conflicts of interest and a lack of transparency in digital advertising markets?

We broadly support these remedies, notably the sharing of bid data as there is a complete lack of transparency with Google often acting as both poacher and gamekeeper in auctions.

The adtech world can be opaque and there is little transparency in the market, with various tech providers and intermediaries taking fees and charges, with no visibility. We strongly agree that there is a significant conflict of interest with Google acting as SSP and DSP in the open display market.

**Question Thirteen:** We have set out a number of specific questions relating to the potential interventions, which are discussed in the appendices.

PPA has not been able to fully consider the implications of all the potential interventions listed within the report, however, we consider these important. We would welcome the opportunity to input further to the CMAs work in this area and facilitate a roundtable discussion with a range of publishers to discuss these in future detail.

Nevertheless, any potential interventions need to be co-ordinated with suggested interventions recommended within other reviews, the Cairncross Review and Furman Review. All interventions need to be coherently designed from the start, to ensure the policies do not have unintended consequences.

**Question Fourteen:** Do you have any views about the appropriate sequencing of the remedies we have identified?

The problems facing the magazine media industry are fundamentally related to revenue decline and not audience decline, but the digital advertising supply chain fails to recognise the growth in online audiences for publishers' content. The sequencing of remedies should therefore prioritise those that will improve conditions for the UK publishing industry. A code of conduct should be implemented as soon as practical.

**Question Fifteen:** Do you agree with our assessment of the potential candidates for a market investigation, and what are your views on the merits of each?

Yes, we agree with the proposed candidates. We are disappointed that the CMA has indicated it will not pursue a full market investigation into Google and Facebook, despite acknowledging that there has been a market failure.

**Question Sixteen:** Do you agree with our proposal not to make a market investigation reference at this stage?

No. The Interim Report has found there to be a market failure. While further regulatory intervention is needed from government and there are continuing workflows across government considering this, we believe a market investigation could run concurrently and complementarily to this work and act to deliver urgent remedies to enhance competition and transparency in the digital advertising market. The CMA should make a market investigation referral.

**Question Seventeen:** Do you support recommendations to government as an effective route to implementing interventions in these areas?

Yes.

**Question Eighteen:** Do you agree we have identified the right areas for further work in the second half of the study (set out below), and are there any significant gaps?

PPA stands ready to engage further with the CMA and restate our offer to host a roundtable to bring experts together from across the industry to inform your further work.

### **Conclusion**

For too long cannibalistic companies have been allowed to dominate markets and dictate how they manage relationships with publishers and the advertising industry. Recommendations made to the government should align with those identified in the Cairncross Review and the Furman review, aimed at helping publishers and revitalising competition in the digital economy.

It is clear that the government needs to take an active role in developing a strategy to manage the big players, aligning with international precedent where possible. The CMA should play a principle role in this.

Thank you for the opportunity to reply to this call for evidence. We are happy to answer any follow up consultation or supply further evidence as required and look forward to the CMA report and conclusions in due course.