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Mobile Ecosystems Market Study

Submission to CMA by Bauer Media Audio regarding the importance of voice assistants

This submission provides comments from Bauer Media Audio (“Bauer”) on the Statement of Scope for the “Mobile Ecosystems Market Study” (“Market Study”) launched by the Competition and Markets Authority (“CMA”) on 15 June 2021.

Bauer is a leading commercial radio broadcaster, which reaches over 20 million UK consumers per week. It is home to some of the UK’s best-loved commercial radio stations, including KISS, Magic Radio, Absolute Radio, Scala Radio, Planet Rock, Jazz FM and the Hits Radio Network as well as Downtown Radio, Cool FM and Downtown Country in Northern Ireland. As an operator of both national and local networks, it is a long-term investor in digital audio product innovation and digital distribution of world-class audio content. Bauer Media Audio is a division of Bauer Media Group, which among other things, is also a leading magazine publisher, with titles including Empire, Car, Closer, Grazia and Take a Break.

Bauer welcomes the Market Study, which will contribute towards the establishment of the new pro-competitive regulatory regime to address concerns relating to digital platforms with strategic market status (“SMS”). Bauer looks forward to engaging with the CMA during the course of the Market Study.

The four themes identified in the Statement of Scope cover important areas where concerns arise. However, we believe that the CMA should also carefully consider the role of voice assistants in the mobile ecosystems. This is an area that risks falling between the gaps of the CMA’s work (and indeed the EU’s Digital Markets Act). Through this submission, we intend to provide a brief overview of the issues raised by Google’s and Apple’s voice assistants, Google Assistant and Siri respectively, to competition within their respective ecosystems.

We submit that the CMA should include an analysis of voice assistants as an important workstream in the Market Study. The issues described below cut across the existing four themes of the Market Study. They could be included within the four themes, but we suggest that they are better dealt with as a distinct theme.

I. Definition of voice assistants

Voice assistants are software applications that provide capabilities for oral dialogue with a user in natural language and which allow end users and business users offering voice-based apps to interact. This software may be installed on a variety of devices. For example, Apple’s voice assistant Siri is installed on Apple’s smart speaker HomePod but also on mobile devices such as the iPhone or the iPad, while Google Assistant comes integrated into Android mobile devices, but also the smart speaker Google Nest. They also provide voice assistants on 3rd party devices such as Sonos speakers. Voice assistants must, therefore, not be conflated with hardware, such as smart speakers or smartphones, which integrates voice assistants. In other words, smart speakers, smartphones or other hardware are only material incarnations of voice assistants and are not voice assistants themselves. We would note also that voice assistants serve users through in-car infotainment systems, which is an important area for the CMA to bear in mind in its inquiry.

Voice assistant technology provides an alternative interface for certain other services (e.g., a search engine which allows users to carry out voice searches instead of typing a search term). They also provide software that is not directly connected to / ancillary to another service and which allows conversational interactions between users and a variety of services and products. Such voice assistants (increasingly) have a more “independent” role, allowing users to use them for a whole range of tasks and influence how products and services are provided or presented to users, intermediating between them and (voice-enabled) app developers. This intermediation role is particularly clear for the voice-enabled apps developed by radio broadcasters.

II. Scope of the Market Study

The Market Study Notice gives the scope of the Market Study as “*the supply of mobile ecosystems*”, which is defined to mean “*the supply of smartphones and tablets, and associated software such as operating systems, app stores, browsers, and applications*”. Voice assistants are supplied to users as integrated parts of smartphones and tablets and their operating systems. There is no need to decide whether to characterise a voice assistant as an aspect of the operating system, an application, or another example of “*associated software*” (or a combination of the three), because it would be covered by the definition in the Market Study Notice in any case.

In its description of mobile ecosystems at paragraphs 47 *et seq* of the Statement of Scope, the CMA includes the ability to access music and control smart speakers, both of which are examples of voice assistants’ functionality.

Bauer therefore submits that the various possible issues raised by voice assistants, which are set out briefly below, fall squarely within the scope of the Market Study.

III. The relationship between voice assistants, Bauer’s business and the wider radio industry

More than two-thirds of 25-49-year-olds speak to their voice-enabled devices at least once per day.¹ Overall, the number of digital voice assistants in use is expected to reach 8.4 billion units by 2024, which is higher than the world’s population.²

Voice assistants are already important to many aspects of the digital sector and their importance will continue to grow as we transition to the Internet of Things.³ As the European Commission explains, “*Internet of Things ecosystems are often characterised by strong network effects and economies of scale, which might lead to the fast emergence of dominant digital ecosystems and gatekeepers and might present tipping risks.*”⁴ In this respect, we note Commission Executive Vice-President Vestager’s recent statements on the initial findings of the European Commission’s sector inquiry into the Internet of Things, for example regarding the “*central role*” that voice assistants play in the interconnection of different smart devices and services, and the how this may “*give opportunities to voice assistants to engage in behaviours that negatively affect competition*”. The political signal sent by Ms Vestager to the European Parliament and Council of the EU, who are in the process of adopting the proposed Digital Markets Act, was very clear – in her own diplomatic words : “*the sector inquiry will certainly contribute to the debate on the scope of the Digital Markets Act*”.⁵ If the new regulatory regime for SMS firms does not address the issues raised by voice assistants, it will fail in its objectives.

In May 2021, Bauer launched a premium subscription online radio service. For £3.99 per month (after an initial free trial), subscribers gain access to 20 exclusive online radio stations across genres and music

¹ PwC, “Consumer Intelligence Series” (2018) <<https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/voice-assistants.pdf>> accessed 22 July 2021. This study found that 65% of 25-49-year-olds spoke to their voice-enabled devices at least once per day and 94% of them did so at least a few times per month. This was in 2018, so we assume the figure will now be higher because the use of voice assistants is growing.

² Statista, “Number of Digital Voice Assistants in Use Worldwide” (2021) <<https://www.statista.com/statistics/973815/worldwide-digital-voice-assistant-in-use/>> accessed 23 July 2021.

³ European Commission, Press Release, “EVP Vestager on the initial findings of the Consumer IoT” (9 June 2021) <https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_21_2926> accessed 23 July 2021.

⁴ Antitrust: sector inquiry into the consumer Internet (<https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1326> accessed 26 July 2021.)

⁵ Ibid, footnote 3.

moods, more than 30 on-demand shows, documentaries, artist interview content and special programming. There are no ad-breaks and subscribers are offered greater choice, control and flexibility, allowing listeners to skip up to 6 tracks per hour via app and web listening, even on live radio.

As radio consumption continues to migrate from analogue to digital channels, the distribution of radio is increasingly reliant on smart devices empowered by voice assistants. A study conducted by RAJAR shows that the digital share (including DAB) of all radio listening was at 58% in 2020.⁶ In particular, the percentage of adults in the UK that listen to live radio via a smartphone or tablet has been increasing consistently since 2011, encompassing 27% of all adults in Q1 2020. [REDACTED]

Moreover, in a recent report commissioned by Bauer⁷, Frontier Economics assess how the rising usage of voice assistant platforms, including smart speakers, will affect future outcomes for listeners, radio broadcasters and advertisers up to 2025. The report confirms that voice assistant platforms have in recent years become an important distribution channel for radio. At present, around [REDACTED] of all radio listening is done via smart speakers, while other types of voice assistant platforms (e.g. in-car) also play a role in radio listening, though this proportion will grow as use of voice assistants increases.

In addition, [REDACTED] whilst radio currently increases the penetration and use of smart speakers and voice assistants, which benefits the platforms that provide these services, [REDACTED]. Conversely, voice assistant platforms will become an increasingly important distribution channel for radio, given the increasing take-up of voice assistant platforms and the general trend for radio users to switch to IP listening. Overall, [REDACTED] estimate that radio may be adding far more value to voice assistant platforms than voice assistant platforms add to radio (both in absolute terms and % terms).

Going forward, the report concludes that it is likely that there will be a shift in bargaining power in favour of voice assistant platforms vis-à-vis radio broadcasters. This is because, inter alia:

⁶ Radio Joint Audience Research, “RAJAR Data Release” (2021) <https://www.rajar.co.uk/docs/news/RAJAR_DataRelease_InfographicQ12020.pdf> accessed 23 July 2021.

⁷ “An assessment of the value exchange between voice assistant platforms and radio broadcasters to 2025 - A report for Bauer Media”, Frontier Economics, December 2020.

- By 2025, smart speaker penetration will likely have plateaued (at least in the UK) and consumers will be accustomed to using the devices. It is likely that ecosystems of services and content will be established around smart speakers. [REDACTED]
[REDACTED]
[REDACTED]
- It is likely that a higher share of radio listening will be via voice assistant platforms, as the popularity of voice assistant platforms grows.
- The number of households with dedicated radios (ie AM/FM/DAB receivers) may decline [REDACTED]
[REDACTED]
[REDACTED].

The situation is susceptible to the issues of which the CMA is very well aware from its excellent work in other aspects of the digital sector, for example: network effects, use of defaults, consumer manipulation, hoarding and unfair use of data, lack of transparency, vertical integration, conflicts of interest, self-preferencing, and the leveraging of market power.

We would add that the case for intervention is not just economic. It is also societal and cultural. Radio delivers a broad range of public value to listeners, including through its output of trusted local and national news bulletins that reach an audience of hundreds of millions of listeners on a daily basis, at a time when fake news is rife on social media networks. Radio is consistently found to be among the most trusted sources of news and information, and in so doing plays a key role in supporting media pluralism in the UK. Research commissioned by the Radiocentre in the UK found that 77% of audiences trust radio, more than any other media⁸. This is consistent with similar studies by Ofcom and research from the European Commission, which has found radio to be the most trusted medium in Europe for over a decade.

Radio is also a source of companionship (for example supporting people who may be lonely or feel isolated), entertainment and music discovery (providing cultural enrichment), and an amplifier of charitable causes and issues of major importance to society (such as the under-representation of people from minority ethnic backgrounds in the creative industries).

Listener behaviours during the COVID-19 pandemic lockdown are testimony to the significant contribution that radio makes to society. Bauer’s radio stations have seen an increase in online listening

⁸ The Radiocentre, “Commercial Radio, a force for good”, July 2020.

of 15% on average across its European footprint since the lockdown⁹. Moreover, many of our listeners have changed the way they listen to radio, shifting from in car listening to online or digital radio in the home.

Licensed radio therefore plays an important political and societal role in the UK by supporting media plurality and improving social cohesion through the promotion of shared cultural and democratic values, making it a *force for good* [REDACTED]
[REDACTED]

We list below some of the main issues that we submit the CMA should investigate.

IV. Risks posed by voice assistants

A. Re-directing listeners to own radio-like services

Voice assistants play an intermediary role between users and their smart devices as they allow the control of, and access to, the devices. [REDACTED]
[REDACTED],
[REDACTED]

[REDACTED], there is a risk that voice assistants will seek to preference their own music streaming services and radio-like stations to the detriment of radio broadcasters.

[REDACTED] in general, it is younger users who are most likely to switch away from traditional radio stations. [REDACTED]

[REDACTED] The next group that is at greatest risk of switching from radio stations to streaming services is likely to be users between the ages of 30 and 49 years. Losing younger users may adversely affect the long-term sustainability of traditional radio broadcasters.¹⁰

In the distribution of commercial radio, commercial deals may result in some broadcasters' services being downgraded in voice search while other services are upgraded through paid promotion. There is also the risk that audio listeners who request access to certain licensed radio stations (using a voice assistant) are redirected to a connected platform's own unlicensed (radio-like) services. This risk is increased by the fact that voice assistants will typically generate a single response to a voice request made by a user, unlike

⁹ In the UK alone, the (aforementioned) research commissioned by the Radiocentre has revealed that "since the lockdown, radio operators have reported an increase in online listening of around 15-20% on average, with news and information stations seeing even higher increases of over 40%."

¹⁰ Ibid, footnote 7.

traditional search engines which will display a list of response choices to users so they have an opportunity to select the correct and intended service.

For example, [REDACTED] is capable of redirecting audio listeners who request access to certain licensed radio stations to its own unlicensed (radio-like) services. By doing so, [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]¹¹ Companies are also re-packaging playlists with or without AI to form a ‘radio-like’ product (to directly compete with radio stations) that have the added advantage of being customised to the preferences and behaviours of its users using the data they exclusively hold.

There is currently a lack of clarity around how virtual assistant providers decide on what result to return to a user, based on their request. For example, [REDACTED], [REDACTED] Unfortunately, a user would often be redirected to a competing radio-like or playlist service offered by the connected platform and there are multiple potential and inconsistent outcomes to this command. Without regulatory intervention, one can only expect that the voice assistant providers will continue to favour their own vertically-integrated services.

B. Restriction of access to audience and commercial data

Voice assistants collect vast amounts of data from different devices and services. [REDACTED] [REDACTED] broadcasters’ access to valuable (anonymised) listener data, such as audience data (e.g. listening behaviour) and commercial data (e.g. engagement with advertising). Audience and commercial data are important for radio broadcasters, who largely depend on advertising revenues. Currently, broadcasters are already facing disadvantages as use of voice enabled devices grows, data insights received from these devices are low due to [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹¹ [REDACTED]

¹² Mediatel Events, “The Future of Audio” (15 October 2019) <https://trisonic.co.uk/wp-content/uploads/2019/12/Post_Conference_Report_FOA_V3.pdf> accessed 22 July 2021.

[REDACTED]

Data is also valuable for interaction with listeners which is a core component of the radio service. Voice enabled smart devices have the potential to take this interaction to a new dimension in the future, where listeners talk to the studio through their devices, enter competitions, request music and take part in on air-features. Free flow of data between listeners, broadcasters and (in some instances) advertisers is crucial for these direct relationships to exist and grow. Any interruption to this data flow represents a commercial risk for radio broadcasters and a hindrance to innovation.

C. Sherlocking

[REDACTED] have access to data they have gathered due to their gatekeeping role which provide them with unparalleled market intelligence, allowing the identification of successful services or products and the development of competing services or products by the gatekeeper. [REDACTED]

[REDACTED]

D. Limited interoperability between devices

There is limited interoperability between the voice assistant software and the products and services of different providers. Google and Apple control interoperability and integration processes in their ecosystems and are capable of limiting functionalities of third-party smart devices compared to their own.¹³ The limited interoperability could have exclusionary effects by hindering the ability of consumers to switch from one mobile ecosystem to another and reducing consumer choice. For example, when shopping for a smart home device or product, 89% of consumers said they were influenced by its compatibility with their voice assistant.¹⁴

Google and Apple also have the ability to prevent device manufacturers from installing more than one voice assistant on their devices or restrict the concurrent use of different voice assistants. [REDACTED]

[REDACTED]

¹³ See European Commission, *Preliminary Report - Sector Inquiry into Consumer Internet of Things* (2021).

¹⁴ PwC, “Consumer Intelligence Series” (2018) <<https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/voice-assistants.pdf>> accessed 22 July 2021.

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¹⁵ CMA, *Online Platforms and Digital Advertising Market Study* (July 2020), paragraph 3.136.

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