



**Computer & Communications  
Industry Association**  
Tech Advocacy Since 1972

**CCIA's Supplemental Submission to the UK  
Competition & Markets Authority**

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**Online Platforms and Digital Advertising Market  
Interim Report - Consultation**

12 May 2020

# 1. Introduction

The Computer and Communications Industry Association (CCIA) applauds the CMA's study of "Online platforms and digital advertising", its consideration of the views of a variety of stakeholders, and the work it has done in preparing the Market Study Interim Report<sup>1</sup>. CCIA appreciates the openness of this process and the CMA's continued engagement with stakeholders. CCIA has previously submitted responses to the CMA's statement of scope,<sup>2</sup> and its Interim Report<sup>3</sup>, and on 2 March 2020, CCIA held a teleconference with the CMA,<sup>4</sup> in which the CMA requested further details on the benefits of digital advertising. CCIA welcomes this opportunity to respond to the CMA's request.

CCIA represents large, medium, and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications, and Internet products and services<sup>5</sup>. Our members employ more than 750,000 workers and generate annual revenues in excess of \$540 billion. CCIA remains committed to protecting and advancing the interests of our members, the industry as a whole, as well as society's beneficial interest in open markets, open systems and open networks.<sup>6</sup> We advocate for full, fair, and open competition between all market participants.<sup>7</sup>

As succinctly summarised by leading advertising executive Rob Norman,<sup>8</sup> digital advertising has *"... changed the dynamics of advertising forever by introducing a new market defined by auction-based pricing. It moved power from those brands with the most money—and might—to those with the most insight and the greatest relevance. It brought more accountability to marketing with payment reliant upon user action. And it leveled the competitive field by removing barriers to entry (like upfront payment), so even the smallest business could market its wares to anyone."*<sup>9</sup>

CCIA believes digital technologies have lowered entry barriers and spurred competition not only between advertisers, but also in the supply of advertising services, while generating increased value for consumers. Accordingly, and as stated in CCIA's response to the Interim Report,<sup>10</sup>

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<sup>1</sup> CMA "Online platforms and digital advertising Market study interim report" (18 December 2019), available [here](#) (referred to herein as "CMA Interim Report").

<sup>2</sup> "CCIA's Response to Statement of Scope" (30 July 2019), available [here](#).

<sup>3</sup> "CCIA's Response to Interim Report" (17 February 2020), available [here](#).

<sup>4</sup> Kay Jebelli represented CCIA before 10 CMA representatives.

<sup>5</sup> A complete list of CCIA's members can be found here: <http://www.ccianet.org/about/members/>.

<sup>6</sup> CCIA's mission statement can be found here: <https://www.ccianet.org/about/ccias-mission/>

<sup>7</sup> A summary of CCIA's background can be found here: <https://www.ccianet.org/about/who-we-are/>

<sup>8</sup> Rob Norman was GroupM North America's CEO and the company's global chief digital officer. Group M is one of the largest advertising media companies and part of WPP, which together with Omnicom, Publicis Groupe, Interpublic, Dentsu Aegis Network and Havas Media Group maintained a 59% share of global media spending in 2018 (the remaining 41% being handled by independent agencies or in-house by the advertisers). See McClellan "OMD Ranks No.1 In 2018 Billings" (MediaPost 2019), available [here](#).

<sup>9</sup> Norman "AI and machine learning have many wondering about marketers' future role. GroupM's Rob Norman says 'fear not'" (Mar 2018), available [here](#).

<sup>10</sup> See CCIA's Response to Interim Report, paras. 6-9.

before proposing further regulation that may hamper this competition and reduce consumer welfare, CCIA encourages the CMA to closely consider (1) the value of personalised advertising to advertisers, (2) the value of personal advertising to media consumers, and (3) the beneficial effects of personalised advertising technologies for the wider competitive dynamics of the advertising industry. These points are expanded upon with additional data and insights below.

## 2. The Value of Personalised Advertising to Advertisers

In CCIA's Response to the Interim Report, we noted that, while the Interim Report does mention the lower transaction costs, greater accessibility, and increased efficacy of personalised advertising, it focused on potential harms rather than attempt to quantify the actual economic benefits. In order to assist the CMA in completing a fair and balanced study, we provide additional details below as to how personalised advertising has spurred competition between advertisers, lowered entry barriers, and increased advertiser welfare, which together have meant increased demand,<sup>11</sup> and hence increased production and lower prices for consumers.

### a. Increased Efficacy and Returns on Investment

Numerous studies show that personalised advertising increases sales and is more effective than non-personalised advertising. While we are unable to provide an exhaustive list, the below highlights are illustrative:

- Behavioural targeting improves click through rates (ad clicks divided by impressions delivered) by as much as 670 percent over run-of-network advertising (advertising without any targeting).<sup>12</sup>

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<sup>11</sup> Erdem, et al. "The Impact of Advertising on Consumer Price Sensitivity in Experience Goods Markets" (November 2006), available [here](#), pg. 31 ("[advertising] increases WTP more for marginal than infra-marginal consumers, thus flattening the demand curve while shifting it right."); Johnson, et al. "The Online Display Ad Effectiveness Funnel & Carryover: Lessons from 432 Field Experiments" (1 October 2017), available [here](#) ("campaigns increase site visits ( $p < 10^{-212}$ ) and conversions ( $p < 10^{-39}$ ) with median lifts of 17% and 8% respectively."); Kalyanam, et al. "Cross channel effects of search engine advertising on brick & mortar retail sales: Meta analysis of large scale field experiments on Google.com." (Quant Mark Econ 16, 1–42, March 2018), available [here](#) ("The estimates from the HB model provide causal evidence that increasing search engine advertising on broad keywords on Google.com had a positive effect on sales in brick and mortar stores for the advertised categories for this population of retailers.").

<sup>12</sup> See Yan, et al "How Much Can Behavioral Targeting Help Online Advertising?" (2009) at 262, available [here](#), ("Through studying ads CTR before and after user segmentation for ads delivery, we observe that ads CTR can be improved by as much as 670% over all the ads we collected. The t-test results, which are very close to zero, confirm the statistical significance of CTR improvements. In addition, we notice that if we can further design more advanced BT [behavioural targeting] strategies, such as novel user representation approaches and novel user segmentation algorithms, ads CTR can be further improved beyond 1,000%."). See also Beales "The Value of Behavioral Targeting" (2010), available [here](#), pgs. 13-14 ("These conversion rates imply behavioral advertising is more interesting to the consumer, and more likely to attract advertisers to the network.").

- An empirical analysis has shown that, controlling for all other factors, targeting with cookie data increases publisher revenues by 4%, and could be even higher depending on how informative the cookie data is.<sup>13</sup>
- On average, Google calculates that for every euro businesses spend on Google Ads, they receive back €8 back in profit.<sup>14</sup>
- 59% of surveyed SMEs using Facebook apps and technologies find them important in relation to growing their business revenue.<sup>15</sup>
- With regard specifically to personalised television advertising:<sup>16</sup>
  - Addressable viewers are 10% more likely to spontaneously recall TV ads compared to linear TV viewers. “Targeted viewers are more likely to find the ad message relevant so it is more likely to ‘stick’”.
  - Spontaneous brand awareness increases on average by 4% and in certain categories can be as high as 13%.
  - Against all brands measured ‘New to TV’, brands can expect a 20%+ boost in purchase metrics and a 22% increase in prompted creative ad awareness.
  - Campaigns including personalised television advertising alongside linear spot activity are +14% more likely to be discussed with friends and peers.

CCIA urges the CMA to consider the results of these studies, and others like them, to more closely assess the likely impact that its policy recommendations will have on advertisers in preparing its final report. Lower efficiency for advertisers will mean higher costs for advertisers, which means ultimately higher costs for consumers. CCIA submits that these kinds of unintended consequences merit further inquiry and should be properly addressed.

## b. Lower Transaction Costs and Lower Barriers to Entry

In addition to being more effective, personalised advertising is generally cheaper and makes it easier to reach an advertisers intended audience. This means that smaller advertisers, SMEs and new businesses can take advantage of the benefits of advertising that were previously available only to larger, more powerful rivals. This levels the playing field and increases the degree of competition for a wide range of products. These lowered costs can also be then passed on to consumers, increasing welfare overall. While the CMA’s Interim Report does accept that there is a “long tail of smaller advertisers that use Google and Facebook ... because TV advertising needs to be bought at some scale and providers tend not to offer such simple self-service interfaces for

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<sup>13</sup> Marotta, et al “Online Tracking and Publishers’ Revenues: An Empirical Analysis” (2019), available [here](#), pgs 27, 29 (“Initial findings suggest that the impact of the presence of a cookie on the publisher’s revenue is increasing with the amount of information tied to the cookie, but at a decreasing rate: in other words, information seem to be very valuable (from the publisher’s perspective) when we compare cookies with very little information to cookies with some information; after a certain point, adding more information to a cookie does not seem to create additional value for the publisher.”)

<sup>14</sup> Public First Report, pg. 17

<sup>15</sup> Copenhagen Economics Impact Study, pg 39.

<sup>16</sup> Sky “AdSmart: Five Years & Forward” (2019), available [here](#), pgs. 10-12.

smaller advertisers as Google or Facebook”,<sup>17</sup> these pro-competitive factors do not appear to make it into the CMA’s assessment of policy recommendations. We urge the CMA to carefully consider these pro-competitive effects, and provide below research highlights which we believe are illustrative:

- Studies show that the cost of marketing through digital media is 40% lower than print media, and that marketing through social media is 90% lower than traditional television marketing.<sup>18</sup>
- Craigslist’s entry in the US led to \$5.0 billion in year 2000 dollars in savings to classified-ad buyers during 2000-2007.<sup>19</sup>
- Once digital advertising became widely available in Australia, the United States, France, and Germany, the share of GDP going to advertising dropped by roughly 25%.<sup>20</sup>
- A recent study reported that 69% of SMEs found that the main benefit of using digital tools and social media for business purposes was lower costs of marketing.<sup>21</sup> In 2017, almost half of all EU businesses used social media for advertising purposes – a 31 per cent increase since 2014.<sup>22</sup>
- 58% of surveyed SMEs using Facebook apps and technologies find the apps helpful in lowering their marketing costs.<sup>23</sup>

Not only has digital advertising directly lowered prices as against traditional advertising models, and hence increased competition, it has also provided advertisers the tools to work around traditional media buying agencies and handle their purchasing of advertising inventory directly.<sup>24</sup> This indirectly reduces costs for advertisers as they are no longer required to rely on agencies for advertising services. In fact, as a result of the programmatic nature of digital advertising services, 45% of advertisers in a recent survey said they execute ad transactions either completely or partially in-house.<sup>25</sup> At the same time, the benefits of programmatic advertising are driving further

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<sup>17</sup> CMA Interim Report, para. 5.26.

<sup>18</sup> For print media see PPI “The Declining Price of Advertising: Policy Implications” (2019), available [here](#); for television media see Copenhagen Economics Impact Study, pg. 11 (citing Lyfe Marketing “Traditional Media vs. Social Media Advertising” n.d.).

<sup>19</sup> Seamans et al. “Responses to Entry in Multi-Sided Markets: The Impact of Craigslist on Local Newspapers” (May 28, 2013), available [here](#).

<sup>20</sup> PPI “The Declining Price of Advertising: Policy Implications” (2019), available [here](#). Meanwhile, according to the same study, the real price of newspaper and periodical advertising in the US increased by more than 60% between 1982 and 2007.

<sup>21</sup> Copenhagen Economics, “Empowering the European Business Ecosystem: An Impact Study of Businesses Using Facebook Apps and Technology” (Feb 20), available [here](#) (“Copenhagen Economics Impact Study”), pg. 11 (citing Accenture “Five ways to Win with Digital Platforms” 2016).

<sup>22</sup> Copenhagen Economics Impact Study, pg. 18 (citing Eurostat “Social media use by type, internet advertising” December 2019)

<sup>23</sup> Copenhagen Economics Impact Study, pg 12, 39.

<sup>24</sup> Marshall “WTF is programmatic advertising?” (Digiday, 2014) available [here](#) (“Before programmatic ad buying, digital ads were bought and sold by human ad buyers and salespeople, who can be expensive and unreliable. Programmatic advertising technology promises to make the ad buying system more efficient, and therefore cheaper, by removing humans from the process wherever possible.”)

<sup>25</sup> IAB “Programmatic In-Housing: Benefits, Challenges and Key Steps to Building Internal Capabilities” (May 2018), available [here](#), pgs. 6-7 (“The entrenchment of programmatic as the fundamental digital ad

innovation in traditional media formats.<sup>26</sup> The larger digital native advertisers in particular have a series of self-service tools that advertisers can use to measure and optimise their advertising campaigns.<sup>27</sup> CCIA urges the CMA to consider the pro-competitive effects resulting from lowered entry barriers that personalised advertising allows, and which ultimately increase competition between advertisers for the benefit of consumers. Accordingly, when making policy recommendations, the CMA should account for the expected welfare loss to advertisers and consumers that reductions in the quality, availability, or affordability of personalised advertising would entail.

### c. Improvements in Measurement and Informational Feedback

In addition to increased effectiveness and lowered price, personalised advertising also increases innovation for advertisers. Due to its personalised and digitally delivered nature, it greatly

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placement process may mitigate marketers' perceived risk of developing in-house capabilities since programmatic is likely to remain the preferred ad placement method for years to come. Automation begets efficiency and potentially reduces headcount requirements for internal operations. ... 35% of brands surveyed had reduced their media agency's duties in 2017, more than doubling the 14% rate reported in 2016"). Though, this trend could also be due in part due to advertiser concerns regarding the lack of transparency and accountability of advertising agencies (e.g. arbitrage between the actual price paid for advertising inventory and the price paid by individual advertisers, conflicts of interests and transactions between related entities). See e.g. ; ISBA "Response to the CMA Market Study" (July 2019), available [here](#), para. 33 ("ISBA identified a lack of alignment between the interests of agencies and their clients in the media marketplace. Client fee income for agencies was in long-term decline and other sources of income were growing. These included profits from buying and re-selling digital media to clients at non-disclosed margins, margins from adtech and rebates and discounts from media owners."); ANA "Media Buying 2018 — Transparency at a Crossroads" (8 November 2018), available [here](#), ("The transparency debate and distrust between advertisers and media buying agencies has been a topic in C-suites since Jon Mandel's 2015 speech at the Association of National Advertisers' (ANA) annual media conference, yet ANA's work on transparency dates back to at least 2011. Interest took a new, unprecedented turn on October 10, 2018 when the ANA notified its members that the U.S. Federal Bureau of Investigation (FBI) asked the ANA to inform its members about the investigation and to ask its members to consider cooperating with the FBI investigation if they believed they might have been defrauded by their agencies. The purpose of this White Paper is to provide a historical perspective of the transparency issues and to outline the options that advertisers have to cooperate or not cooperate with the FBI."); Blecken "Dentsu investigation shows scale of improper digital transactions" (Campaign, 18 January 2017), available [here](#) ("The investigation unearthed 997 cases of impropriety concerning 96 clients. Of those, ten were found to have been overcharged in a total of 40 cases by ¥3.38m, with Dentsu placing fewer online ads than ordered. The total amount of improper transactions came to ¥114.82m. In the remaining cases, Dentsu failed to file reports or presented falsified results.").

<sup>26</sup> See Faw "By 2019 Two-Thirds Of Global Display Ads Will Be Traded Programmatically" (MediaPost 19 November 2017), available [here](#) ("Advertisers need to understand the it won't be long before digital display is 100% programmatic, and that some of what we consider 'traditional media' will follow fairly shortly," says Jonathan Barnard, head of forecasting and director of global intelligence, Zenith.")

<sup>27</sup> For Facebook, these tools include [Ads Manager](#) (an all-in-one tool for creating ads, managing when and where they'll run and tracking how well campaigns are performing, designed for advertisers of any experience level), [Brand Lift](#) (uses brand polling and other brand awareness measurement to help understand the true value of their Facebook advertising and how well it performs independent of their other marketing efforts), and [Conversion Lift](#) (allows advertisers to accurately determine the additional business driven by Facebook ads and make future marketing decisions based on this information). Similar tools are available also from Google (see [here](#)) and Amazon (see [here](#)).



facilitates the availability of “A/B testing”. In the advertising context, A/B testing involves a randomized controlled experiment to optimise and improve advertising. One random group of consumers is delivered a particular advertisement (the control group), while another random group is shown a slightly different advertisement (the independent group). By varying the advertisements shown in the independent group, the advertiser can measure the efficacy of different advertising strategies and evolve and improve their efficiency over time. Marketing innovation in the digital space is particularly enhanced due to instant feedback and the ease with which different advertising strategies can be implemented.

Surveys have shown these these innovations are available not only to large companies but smaller ones as well,<sup>28</sup> hence increasing the pro-competitive lowered entry-barrier effect that personalised advertising has. Thanks to these innovative digital advertising services, more advertisers are able to go around agencies and do programmatic advertising in-house.<sup>29</sup> This gives advertisers several advantages they did not previously have available, including (1) improved performance / ROI, (2) better control and management of data and targeting, (3) enhanced real-time optimization capability, (4) cost-efficiency and transparency, (5) improved site placement transparency, and (6) increased accountability.<sup>30</sup> These innovations are not entirely limited to marketing either, the flow of feedback on customer preferences and ad performance has also been shown to foster product innovation.<sup>31</sup>

### 3. The Value of Personal Advertising to Media Consumers

The CMA correctly recognises that “many consumers prefer advertising on websites to be relevant to them” and that, in surveys, “most participants preferred targeted advertising and personalised discounts to non-targeted advertising and generic discounts”.<sup>32</sup> CCIA highlights below some illustrative studies which further emphasise this point:

- 38% of UK survey respondents stated that they do not mind seeing relevant online ads, while only 24% of respondents said they do not mind seeing any online ads (meaning a total of 62% do not mind seeing online ads).<sup>33</sup>

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<sup>28</sup> For example, 30% of companies using Facebook apps and technologies use feedback from the apps to target their marketing efforts. Copenhagen Economics Impact Study, pg. 26.

<sup>29</sup> ANA “The Continued Rise of the In-House Agency” (15 October 2018), available [here](#), pg. 27 (“Programmatic buying and social media are the media planning/buying services most often moved from an external agency to an in-house agency over the past three years.”)

<sup>30</sup> IAB “Programmatic In-Housing: Benefits, Challenges and Key Steps to Building Internal Capabilities” (May 2018), available [here](#), pgs. 9-11.

<sup>31</sup> Copenhagen Economics Impact Study, pg. 13 (citing Bertschek, I. & Kesler, R. “Let the User Speak: Is Feedback on Facebook a Source of Firms’ Innovation” 2017).

<sup>32</sup> CMA Interim Report, para. 4.42.

<sup>33</sup> Ofcom “Media Literacy Tracker” (2018), available [here](#), pg. 361.

- Out of the UK respondents who responded with a preference in either direction (i.e. 74% of respondents), 73% stated a preference for personalised adverts over non-personalised adverts (i.e. 54% overall).<sup>34</sup>
- 44% of consumers say that they will likely become repeat buyers after a personalized shopping experience with a particular company.<sup>35</sup>
- With regards specifically to personalised television advertising:<sup>36</sup>
  - There is 48% less channel switching during addressable ads compared to standard ads in the first three positions of a commercial break.
  - Enjoyment of TV advertising increases 10%.
  - Ad engagement goes by up to 35%: Amongst AdSmart viewers, engagement levels were as high as 35% higher with an average of 21% higher than for linear audiences.

Furthermore, those minority of consumers who do not value personalised advertising have numerous options as well. As the CMA correctly acknowledges, digital services offer consumers a wide range of privacy-enhancing technologies,<sup>37</sup> and privacy is an important element of competition between digital services.<sup>38</sup> In addition, consumers always have a number of options outside of the services themselves that they freely use. According to a recent survey, in the past 12 months 44% of people around the world have taken steps to reduce the amount of data they share online (e.g. clearing search history, cookies), and 27% of people around the world have installed ad blocking software.<sup>39</sup>

## 4. Wider Competitive Dynamics of Digital Advertising Markets

As the CMA correctly identifies, many digital service providers operate multi-sided business models where they connect and intermediate between different constituencies. In the case of ad-funded business models like Google and Facebook, they organise and arrange media (e.g. written content, photo, music or video) alongside advertising for consumers on one side, while selling that ad inventory to advertisers on the other. As courts have traditionally recognised, and as the CMA has done, it is imperative to consider both sides of the market when making a competitive assessment.<sup>40</sup>

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<sup>34</sup> Harris Interactive “Adtech – Market Research Report” (2019), available [here](#), slide 8.

<sup>35</sup> Segment “The 2017 State of Personalisation Report” (2017), available [here](#), pg. 3.

<sup>36</sup> Sky “AdSmart: Five Years & Forward” (2019), available [here](#), pgs. 10-12.

<sup>37</sup> CMA Interim Report, paras. 4.52-4.74.

<sup>38</sup> CMA Interim Report, paras. 3.12, 3.107. Indeed, studies suggest that personalised advertising that is not transparent with respect to privacy is generally less effective for advertisers, and hence less profitable. See Kim, et al. “Why Am I Seeing This Ad? The Effect of Ad Transparency on Ad Effectiveness” *Journal of Consumer Research* 45, no. 5 (February 2019), available [here](#).

<sup>39</sup> Dentsu “Digital Society Index 2019” (2019), available [here](#), pg. 31.

<sup>40</sup> See e.g. EU Court of Justice Case C-67/13 P *Cartes Bancaires v European Commission* (11 September 2014), available [here](#), paras. 73-74; US Supreme Court Docket No. No. 16-1454 *Ohio v. American Express Co. et al.*, (25 June 2018), available [here](#). CCIA filed an amicus brief in this case. See Brief of CCIA as Amicus Curiae, *Ohio v. American Express Co., et al.*, (filed 23 January 2018), available [here](#).



When assessing the market for the supply of advertising, the CMA suggests several possible distinctions, including segmentation between digital and traditional formats, search and display advertising, classified and search advertising, video and non-video display advertising, and between owned / operated and open display advertising, before concluding that competitive constraints between different segmentations are limited.<sup>41</sup> CCIA urges the CMA to take a longer term view of market definition particularly due to the dynamic nature of competition that digital technologies facilitate.

On the demand side, the CMA's evidence suggests that advertisers shift marketing budgets between different types of advertising depending on their objectives.<sup>42</sup> On the supply side, technological advances and low marginal costs mean potential entry and expansion are a more potent competitive constraint than in traditional markets.<sup>43</sup> Competitive pressure from digital advertising has forced traditional advertising suppliers to innovate and compete, and they are responding vigorously, alongside a series of digital-native competitors that present a picture of a market that is far more competitive than presented in the CMA's Interim Report.

### a. Growing Competition within Digital Advertising

According to the UK Advertising Association / WARC Expenditure Report, total UK spend on digital advertising formats in 2020 was expected to grow 13% while spend on traditional advertising formats will drop 5%.<sup>44</sup> In this context, suppliers of traditional advertising formats are increasingly offering digital advertising services in a clear indication that digital advertising is an increasingly competitive market:

- **Radio:** According to the same Expenditure Report, growth of digital advertising for radio (21.2%) is forecast to exceed growth in search (+10.3%) and online display (+10.1%). Meanwhile the global podcast advertising market grew an estimated 42% between 2018 and 2019, and is expected to reach more than USD 1 billion by 2021.<sup>45</sup> In this respect, The Guardian, The Economist, and the FT have launched or rebranded daily news

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<sup>41</sup> CMA Interim Report, paras. 5.23-5.36.

<sup>42</sup> CMA Interim Report, para. 5.24 ("media agencies said that substitutability between different media depends on the nature of each advertiser and the specific objectives of their campaign").

<sup>43</sup> It is worth noting in this respect that the internal documents of Google and Facebook reviewed by the CMA show that they consider each other competitors alongside Amazon, Pinterest, Twitter, Snapchat, other platforms, as well as traditional TV. See CMA Interim Report, paras. 5.119-5.120.

<sup>44</sup> Advertising Association "UK Advertising Spend Reaches Record Level of £6.0BN for Q2 2019" (29 October 2019), available [here](#) (CCIA has aggregated digital and non-digital ad spend figures provided in order to arrive at the figures cited. These figures are obviously based on pre-corona-virus estimates, but are directionally illustrative); see also Thomson "Juniper: Amazon set to disrupt growing digital ad business" (Digital TV Europe 24 June 2019), available [here](#) ("According to Juniper, the digital ad market will grow by an average rate of 15% annually over the next five years").

<sup>45</sup> See Interactive Advertising Bureau (IAB) and PwC "FY2018 Podcast Ad Revenue Study" (June 2019), available [here](#), pgs. 6-7.

podcasts in the last year, the BBC is investing heavily in smart speakers and AI while the Guardian has set up an experimental Voice Lab.<sup>46</sup>

- **Television:** According to the same Expenditure Report, growth of digital advertising for digital television (+15%) is forecast to exceed growth in search (+10.3%) and online display (+10.1%). Personalised television advertising is estimated to reach 10% of total television advertising by 2022,<sup>47</sup> and 68% of marketers believe that at least half of traditional linear TV advertising will be targetable within five years.<sup>48</sup>
- **Out-of-home:** advertising agencies predicted that programmatic digital out-of-home advertising will go "mainstream" in 2020.<sup>49</sup>
- **Print:** Between 2014 and 2017, national newsbrands increased their overall cross-platform readership – i.e. accounting for consumption on mobile or PC as well as print – by an average of 51%.<sup>50</sup> News publishers' UK digital advertising revenue has grown by 60% from 2012 to 2017.<sup>51</sup> News publishers are also entering the ad-tech stack, and building out solutions tailored to their needs.<sup>52</sup>

In addition to growing digital competition from players already established in traditional advertising formats, there is also increasing competition from other digital-native players. Microsoft LinkedIn's revenue growth remains stable at 25%,<sup>53</sup> and nearly double the UK's estimated average digital advertising growth rate of 13%. As the CMA recognises, Amazon is active. Apple is also active with its own personalised advertising platform,<sup>54</sup> and advertising within its Apple News app.<sup>55</sup> Digital advertising growth from new entrants is also exceeding market averages. TikTok, a relatively new entrant, has also been growing (in number of users) at over 20% a year.<sup>56</sup> Roku, which has deployed an innovative business model as a content aggregator that also sells advertising, has increased its advertising revenues by 40% year-on-year, and its growth is expected to increase as adoption of over-the-top video streaming becomes more common.<sup>57</sup>

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<sup>46</sup> Reuters Institute Digital News Report 2019, available [here](#), pg. 68.

<sup>47</sup> Friedman "Global TV Ad Spend Up 1% In 2018" (MediaPost 18 December 2018), available [here](#).

<sup>48</sup> Bronswell "Addressable TV: the pros and cons of ads made just for you" (Raconteur 29 January 2020), available [here](#).

<sup>49</sup> Oakes "Programmatic OOH tipped to go 'mainstream' in 2020" (Campaign 1 November 2019), available [here](#). Given the current corona-virus crisis, this mainstreaming may be delayed.

<sup>50</sup> Mediatique "Overview of recent dynamics in the UK press market" April 2018, available [here](#), para., 3.24.

<sup>51</sup> Mediatique "Overview of recent dynamics in the UK press market" April 2018, available [here](#), para., 3.30.

<sup>52</sup> In June of 2019, programmatic advertising platform The Ozone Project, a collaboration between the Guardian News & Media, News UK, The Telegraph and Reach, partnered with advertising exchange OpenX to increase monetisation of publisher's digital ads. See Glenday "The Ozone Project and OpenX partner to improve publisher monetisation" (26 June 2019), available [here](#).

<sup>53</sup> LinkedIn "LinkedIn Business Highlights from Microsoft's FY20 Q1 Earnings" (24 October 2019), available [here](#).

<sup>54</sup> See Apple "Advertising & Privacy", available [here](#).

<sup>55</sup> Peterson "Apple expands test to sell ads in Apple News" (26 March 2018), available [here](#).

<sup>56</sup> eMarketer "TikTok to Surpass 50 Million Users in US by 2021" (13 March 2020), available [here](#).

<sup>57</sup> Benes "10 Ways Roku Is Growing Its Ad Business" (eMarketer 16 January 2019), available [here](#).

In light of the above, the CMA should closely consider the competitive constraints present in the advertising industry, and the dynamic and evolving state of digital advertising.<sup>58</sup> As the CMA noted recently, *“It is also important to consider ongoing dynamics in defining markets where the competitive conditions are expected to evolve. A relevant market should capture the most significant competitive constraints currently as well as those expected in the future. Where customer demands are changing, or suppliers are developing new capabilities, historical evidence such as customer switching or characteristics of existing products should be considered with caution for defining markets”* (emphasis added).<sup>59</sup> As in that case, the advertising industry *“is undergoing lengthy, complex and far reaching changes ... This has given rise to demand for suppliers with alternative technologies and business models”*.<sup>60</sup> CCIA urges the CMA to also undertake a similarly forward-looking competitive assessment here, and to carefully consider all this evidence of growing competition in digital advertising, before imposing significant structural changes to the market that may have unintended consequences that deter innovation and chill incentives to compete aggressively.

## b. Positive Impacts in Publishing Markets

The UK Government has committed itself to the important public policy objective of “supporting the sustainability of high-quality journalism in the UK”.<sup>61</sup> CCIA supports this objective, however it cautions against the use of competition law tools and interventions that may distort the market, reduce incentives for publishers to innovate, increase prices and reduce choice for consumers and particularly advertisers.

Digital tools have dramatically increased the volume of content available to any individual, they have reduced operating costs and increased reach for publishers. This has forced numerous publishers to compete in a global digital news market. As recognised by the Mediatique report prepared for the Department for Digital, Culture, Media and Sport *“as newspapers compete for audiences with an increasing number of news sources across several platforms they have become more substitutable with cheaper – often free – news services, mainly online”*.<sup>62</sup> At the same time, this growing digitisation has also created a significant increase in the supply of advertising inventory, as even small websites and digital natives now compete with long established publishers for eyeballs, and hence advertisers. This increase in supply necessarily

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<sup>58</sup> The CMA should recognise that the ad tech stack is also crowded, diverse, and competitive. It includes large, familiar vertically integrated companies like Adobe, Amazon, AT&T (Xandr AppNexus), Facebook, Google, Oracle, and Verizon (Oath), but also many others which are less well-known but are equally significant sources of competition, including Criteo, Index Exchange, MediaMath, OpenX and Telaria. For non-exhaustive list, see Display LUMAScape Report 2020, available [here](#).

<sup>59</sup> CMA ME/6806/19 “Anticipated acquisition by Sabre Corporation of Farelogix Inc” (9 April 2020) available [here](#), para. 6.4.

<sup>60</sup> available [here](#), para. 7.20.

<sup>61</sup> Department for Digital, Culture, Media & Sport “Government response to the Cairncross Review: a sustainable future for journalism” (27 January 2020), available [here](#).

<sup>62</sup> Mediatique “Overview of recent dynamics in the UK press market” April 2018, available [here](#), para., 3.21.

means a decrease in price, and has put pressure on print media.<sup>63</sup> forced publishers to innovate and adapt. Some of this innovation has been happening in their business models, with an increasing shift to subscriber based systems.<sup>64</sup> The Financial Times hit its target of a million paying subscribers a year ahead of schedule, The Times and Sunday Times have around half a million paying customers with the majority now digital-only, and The Guardian announced a small operating profit for 2018-19 after years of making substantial losses.<sup>65</sup>

Similar adaptations are happening with smaller publishers who have been focusing on local news and community oriented reporting, and by eliminating content segments where they are unable to offer a unique value proposition to consumers (and which are generally over-served by competing publications, such as sport and world news).<sup>66</sup> Some of these adaptations are in fact facilitated by digital tools and the increased transparency and measurements that publishers get of audience engagement, allowing them to improve their content accordingly. For example, CrowdTangle<sup>67</sup> is a tool that Facebook provides to publishers free of charge which allows them to track the performance of their content in real time across Facebook, Instagram, Reddit and Twitter and compare it with the performance of other publishers' content. Not only does it help publishers understand how well stories are performing in the broader media landscape, it also helps them find and source original local news stories from social media that they can then research and report on. This new digital information landscape also provides journalists a huge opportunity (and responsibility) in helping citizens navigate, understand, and provide appropriate context.<sup>68</sup>

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<sup>63</sup> This is especially true for classified advertising, which once represented a significant portion of newspaper revenues. See e.g. Mediatique "Overview of recent dynamics in the UK press market" April 2018, available [here](#), para. 3.13 (Revenue for classified advertising, which represented 56% of total advertising revenues for regional newspapers, fell by 63% between 2007 and 2012); Economist "Who killed the newspaper?" (24 August 2006), available [here](#) ("Classified ads, in particular, are quickly shifting online. Rupert Murdoch, the Beaverbrook of our age, once described them as the industry's rivers of gold—but, as he said last year, 'Sometimes rivers dry up.' In Switzerland and the Netherlands newspapers have lost half their classified advertising to the internet."). Others have also linked the decline of print media to the decline of department store and retail advertising more broadly. See Shafer "Don't Blame Craigslist for the Decline of Newspapers" (Politico, 13 Dec 2016), available [here](#).

<sup>64</sup> Increasingly, subscriptions are seen as the best way to increase revenues. See Deloitte "Digital media: the subscription prescription" (2018), available [here](#), pg. 4 ("We expect news providers to focus increasingly on generating revenue from subscriptions, typically as a complement to advertising, given the challenges they have encountered during years of reliance on ad revenue alone. Whereas certain titles had a 10:90 ratio of subscription to ad revenue in 2012, we predict it may be 50:50 by 2020."). However, in this respect, it is worth noting that among twelve developed countries surveyed, the UK ranks as the lowest in terms of proportion of adults who pay for online news: 6%, compared to an average of 12%. Mediatique "Overview of recent dynamics in the UK press market" April 2018, available [here](#), para. 3.37 (comparing Sweden, United States, Denmark, Finland, Netherlands, South Korea, Belgium, France, Canada, Germany and the United Kingdom). Though, this likely says less about the UK populace, than about the UK populace's opinion of the UK press. See e.g., the Leveson Inquiry, report available [here](#).

<sup>65</sup> Reuters Institute Digital News Report 2019, available [here](#), pg. 68.

<sup>66</sup> And with personalised advertising, these smaller non-premium publishers can get more value from their ad space by tapping into the larger number of advertisers who can afford digital advertising.

<sup>67</sup> See <https://www.crowdtangle.com/>

<sup>68</sup> See e.g. UNESCO "Journalism, fake news & disinformation: handbook for journalism education and training" 2018, available [here](#); Data & Society "The Oxygen of Amplification: Better Practices for Reporting on Extremists, Antagonists, and Manipulators" (2018), available [here](#).

This is a shifting competitive landscape, and may be difficult for some publishers to manage, but this can be done. There will always be demand for good journalism.<sup>69</sup> The CMA should continue to promote competition and protect the incentives to compete. In the meantime, consumers have never had access to as much information and content, as quickly and as cheaply, ever before. Advertisers as well, have greatly benefited by lowered costs and increased supply of advertising.

## 5. Concluding Remarks

This submission provides the CMA additional information and data that should be considered and accounted for in the competitive assessment when deciding on any intervention responding to allegations of anti-competitive harm to publishers or consumers of media. We remain available to discuss these points and answer any further questions or provide any further assistance in the CMA's assessment.

Respectfully Submitted,

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<sup>69</sup> Kaleida “News Ecosystem Report: Europe, 2018” (2018), available [here](#) (survey results finding, at pgs. 9-10, that “news consumers value quality sources. They read articles in full. And they do this many times a day.” and that people “are much more likely to click on a story if the original source is a recognised news publisher.”)