

SUBMISSION BY COMMERCIAL RADIO AUSTRALIA

ACCC Ad Tech Inquiry

APRIL 2020

Commercial Radio Australia (**CRA**) is the peak industry body representing the interests of commercial radio broadcasters throughout Australia. CRA has 260 member stations, comprising 99% of the Australian commercial radio industry.

CRA welcomes this opportunity to respond to the Australian Competition and Consumer Commission (**ACCC**) Ad Tech Inquiry (**Inquiry**).

CRA appreciates the ACCC's recognition that competition through the ad tech supply chain may be distorted by the dominance of digital players such as Google and Facebook.

Three issues are of particular significance to the commercial radio industry:

- **The collection and use of data through the ad tech chain.** Google and Facebook are increasingly monopolising the collection of data flowing from advertisements and other content on the radio industry's digital platforms. In particular, Google has recently announced plans to phase out support for third party cookies on Chrome.¹ This means that radio stations will no longer be able to collect data flowing from content placed on their own digital platforms. Instead, Google will be the gatekeeper of cookie generated data. This does little to protect the privacy of consumers but instead concentrates data in the hands of a few monopoly players.
- **Data analytics services:** A reliable digital audience measurement methodology should be imposed upon digital platforms by the ACCC. The digital platforms continue to publish unverified figures relating to the effectiveness of advertising on their platforms, often in 'walled gardens' which are not subject to scrutiny, such as Facebook client dashboards. There is currently no regulatory means of holding digital platforms to account nor of forcing transparency regarding claims of user engagement and audience size.
- **Transparency of revenue allocation through the supply chain.** As a publisher, radio should receive information that enables it to understand the way in which the services along the ad tech supply chain are priced. The current pricing model is unclear and there is potential for Google and Facebook to favour suppliers with whom they have a commercial relationship, whether that is based on shared corporate ownership – for

¹ Google Chromium Blog by Justin Schuh – Director, Chrome Engineering. 14 January 2020.

example, where the digital platforms are vertically integrated across both sides of the supply chain – or where there is an undisclosed commission or referral structure between unrelated parties, such as digital platforms and media buyers.

1. The collection and use of data through the ad tech chain

Digital platforms have access to vast reserves of data left by their users. This is a valuable commodity, particularly to advertisers. Data is the currency on which the digital platforms have been built, enabling the creation of algorithms that direct and control the content and advertising that is visible to users.

There is little transparency over how data is harvested, used and traded by digital platforms. Radio stations need to understand what is being collected and be given better power to control and restrict use of data flowing from content on their platforms. This remains the case, notwithstanding that the radio platforms may have been accessed through Google or Facebook.

The collection and use of consumer data by Google and Facebook makes it hard for traditional media platforms to compete on commercially equal terms, both in terms of competing for the advertising dollar and establishing new business models.

Decreasing access to data for publishers

The concentration of data in the hands of the digital monopolies will worsen following Google's plans to end its support for third party cookies in Chrome.

In January 2020, Chrome announced its plans to phase out support for third party cookies in Chrome.

Google's Director of Chrome Engineering, Justin Schuh, publicly stated that:

We are working actively across the ecosystem so that browsers, publishers, developers, and advertisers have the opportunity to experiment with these new mechanisms, test whether they work well in various situations, and develop supporting implementations, including ad selection and measurement ...¹.

While the rationale for this change is to address privacy concerns, the effect will be to concentrate valuable data in Google's hands. Google will in effect become the gatekeeper of user data generated by cookies. It is likely to be extremely difficult for advertisers and local Australian radio stations to negotiate with Google's monopoly power.

Google has already started to attract advertisers and media buyers by offering packages that include 'free' use of such data. Its *Ads Data Hub* changes announced on 16 April 2020 are intended to:

Help you analyse data more quickly and easily, better understand the way that people interact with your ads, and use insights from your data to reach the right customers.²

² Google Marketing Platform *Its faster and easier to use Ads Data Hub* by Prema Sampath, Senior Product Manager, Ads Data Hub, 16 April 2020.

These goals are unobjectionable in themselves, but they become hugely problematic when combined with Google's monopoly power and exclusive access to the data that informs such insights.

Advertisers will be forced to engage with the Google ecosystem in order to access data. This is likely to increase Google's negotiating power throughout all stages of the ad tech chain, to the detriment of both consumers and competing businesses.

Potential for data breaches by digital platforms

Further, CRA questions whether the concentration of data in the hands of digital platform monopolies will assist in safe guarding users' privacy. History shows that it may serve to increase privacy breaches. For example:

- in March 2018, it was revealed that political analysis firm Cambridge Analytica had improperly accessed the data of 50 million Facebook accounts; and
- in November 2017, Google was sued on behalf of 5.4 million consumers in the UK after secretly accessing browsing patterns on iPhones.

CRA urges the ACCC to look closely at any attempts by Google and Facebook to limit access to data in the ad tech chain, which will result in a concentration of data in the hands of the digital giants.

2. Data analytics services

Digital platforms do not properly measure the efficacy of online advertising. There is currently no regulatory means of holding such platforms to account nor of forcing transparency regarding their claims of user engagement and audience size.

Digital platforms, such as Facebook and Google, sell advertising based on metrics that are distorted, misleading and poorly understood. This is a key issue that should be addressed by the ACCC.

The commercial radio system of audience measurement is a robust, well understood and independently audited system. It is easy for advertisers to compare station listening patterns across a variety of formats and day parts.

Unlike radio, there is no independent, rigorous and consistent mechanism for measuring digital impressions. The methodology used by digital operators is not transparent and is therefore difficult to critique and compare. This leads to frequent misleading claims being made by digital platform operators regarding the extent of their advertising reach.

Flaws in digital measurement systems

Digital audience measurement systems are frequently deeply flawed. For example:

- Digital impressions can be created automatically, when content is sent from a server. In these cases, no individual human sees the content.

- Impressions and clicks do not measure the amount of time that users engage with the content. Digital platforms use techniques to enhance the number of physical clicks, such as placing the content in a position where users are likely to click accidentally, without measuring whether or how long a user engages with the subject matter.
- Some metrics count multiple views of the same page from the same user, thereby 'double counting'.
- Some metrics exclude certain categories of user activity, such as very short viewing times, when calculating average durations. There is usually little transparency regarding such techniques.

This distortion of advertising metrics is highly significant, as reach is the currency of advertising. Media platforms with higher audience figures generally prove more attractive to advertisers.

No scrutiny of audience measurement metrics

The absence of a standardised measurement system means that 'walled gardens' of client focused audience measurement have become commonplace.

Facebook's dashboards contain information on the progression of campaigns, return on investment, audience figures and reach. These are made available to advertisers with no external scrutiny or verification of the data.

While client campaign performance reports will inevitably include extensive confidential elements, the absence of scrutiny on more fundamental data, methodology or verification processes means that Facebook is able effectively to 'mark its own homework'.

This practice must be stopped, as it unfairly disadvantages those players who have audited, standardised audience measurement processes.

The 'walled garden' approach to advertising metrics particularly impacts on clients likely to advertise on commercial radio, as the digital platforms' techniques tend to be effective in persuading small to medium sized businesses, such as local tradespeople and shops. These are businesses that provide the backbone of commercial radio advertising, particularly in regional areas.

Smaller businesses – without marketing staff of their own – are all too often persuaded by the unverified audience measurement figures provided to them secretly by Facebook and Google.

Concern amongst large advertisers

The lack of consistency and reliability surrounding online metrics has been widely recognised by some of the world's largest companies.

On 12 April 2019, Bloomberg reported that:

In a speech at an industry conference Thursday, P&G Chief Brand Officer Marc Pritchard blasted the digital media industry for lack of transparency, fraud, privacy breaches and a proliferation of violent and harmful content placed next to ads. He said his company, which spends billions of dollars on marketing products from paper towels to shampoo every year, would move its money to services that can guarantee effectiveness, are completely free of offensive content and are more willing to share consumer data with advertisers.³

The Wall Street Journal reported on 1 March 2018 that:

After publicly pressuring major technology platforms to help clean up the online ad market and fork over more information about the effectiveness of digital ads, Procter & Gamble Co. slashed its spending on digital advertising by more than \$200 million last year.

The consumer products giant says that its push for more transparency over the past year revealed such spending had been largely wasteful and that eliminating it helped the company reach more consumers in more effective ways.⁴

The Chief Marketing Officer of Unilever, Keith Weed, is reported by the Wall Street Journal to have described the current self measurement by digital online platforms as equivalent to 'letting them mark their own homework'.⁵

A reliable digital audience methodology must be imposed upon digital platforms

CRA maintains its position that a reliable digital audience measurement methodology should be imposed upon digital platforms by the ACCC and must:

- require that the collection and analysis of the data is conducted by an independent third party;
- be accompanied by a clear, consistent and transparent explanation of the methodology used; and
- be consistent across all suppliers of digital advert performance measurement services to enable fair and consistent comparison.

Without a truly independent intermediary - tasked with collecting and analysing the data according to a transparent and consistent methodology - the existing opacity and consequent potential for the distortion of advertising metrics will remain.

³ <https://www.bloomberg.com/news/articles/2019-04-11/p-g-is-putting-ad-platforms-like-facebook-and-google-on-notice>

⁴ <https://www.wsj.com/articles/p-g-slashed-digital-ad-spending-by-another-100-million-1519915621>

⁵ <https://www.wsj.com/articles/facebook-overestimated-key-video-metric-for-two-years-1474586951>

The mere existence of companies able to provide digital audience measurement services does not assist in creating consistency, accuracy and transparency and will allow misleading claims to continue to flourish. Key difficulties are as follows:

- different suppliers use different methodologies, leading to results that are difficult to compare and which may be easily manipulated;
- the methodologies are not transparent and clearly explained;
- there is no external auditing process to verify the legitimacy of elemental data, methodology, adherence to such methodologies and the accurate communication of results; and
- most importantly, Facebook and Google continue to control access to the data. No data is independently gathered by third parties.

The current mechanisms – under which the digital platforms gather and control their own data without third party oversight – does not enable transparency or accuracy of measurement.

The lack of rigour applied by the digital platforms in measuring advertisement reach contrasts starkly with the robust independent data collection and measurement undertaken to verify the reach of advertising on radio.⁶

3. Transparency of revenue allocation through the supply chain

The division of revenue and pricing structures along the ad tech supply chain is opaque and difficult to understand.

As a publisher, radio should receive information that enables it to understand the way in which the services along the ad tech supply chain are priced and interrelated. The current pricing model is unclear and there is potential for Google and Facebook to prefer certain suppliers over others.

When digital platforms favour certain players, they inevitably discriminate against other companies. This discrimination potentially happens in two key ways:

- when digital platforms are vertically integrated across the ad tech chain and own businesses on both the supply and the demand side. For example, Google Publisher Ad and Google Marketing Platform; and
- when commercial arrangements, such as commission or referral structures between media buyers and digital platforms, incentivise the digital platforms to favour particular parties in the ad tech chain.

⁶ Details of the commercial radio industry's audience measurement mechanisms are set out in CRA's submissions to the ACCC in April 2018 and February 2019.

CRA urges the ACCC to investigate closely whether Google and Facebook are using their monopoly positions to distort the ad tech chain by using pricing, commission, referrals or bundling structures that unfairly favour certain parties over others.

The digital platforms should disclose elements of commission or referral arrangements where such arrangements have the ability to distort pricing structures down the ad tech supply chain.

Google and Facebook restrict access to advertise effectively on their platforms to their own ad-tech. For example, YouTube bought through Google's own exchange gives access to Google targeting data.

It is vital that any such practices are exposed, to ensure that all media players operate on a level playing field in terms of attracting advertising revenue. Increased advertising revenue enables digital platforms to continue to invest, market more widely, buy up competitors and expand their monopolies and influence. In the long term, this is likely to be at the expense of Australian local media platforms and the provision of quality content.

Please contact Joan Warner, on [REDACTED], for clarification on any aspect of this submission.

Commercial Radio Australia