



17 April 2018

By email: platforminquiry@accc.gov.au

Dear Commissioner

The Digital Industry Group Incorporated (DIGI) welcomes the opportunity to provide a submission to the Australian Competition and Consumer Commission (ACCC) Issues Paper on the Digital Platforms Inquiry.

DIGI includes representatives from Facebook, Google, Twitter and Oath. DIGI members collectively provide various digital services to Australians ranging from Internet search engines, social media platforms and other digital communications platforms. These services and platforms facilitate new distribution, marketing and revenue generating channels for Australian businesses and content creators, including news publishers and journalists. They are also driving fundamental changes to the way that business is conducted, and content is created and distributed. These technological advances are to the overwhelming benefit of Australian consumers and our wider economy.

DIGI thanks the ACCC for the extended opportunity to make this submission. If you have any questions or require any additional information, please let me know.

Kind regards,

A handwritten signature in black ink that reads "Nicole Buskiewicz". The signature is written in a cursive, flowing style.

Nicole Buskiewicz
Managing Director
DIGI

Submission to the ACCC Issues Paper on the Digital Platforms Inquiry

1. Executive Summary

DIGI is grateful for the opportunity to participate in the Australian Competition and Consumer Commission (ACCC) Digital Platforms Inquiry. The ACCC's Issues Paper raises a number of issues relating to the digital industry in Australia. We note the inquiry is to look at the impact, in particular, in relation to the supply of news and journalistic content, and the implications of this for media content creators, advertisers and consumers.

The rise of the internet and digital technologies has resulted in an overwhelmingly positive impact on broadening the diversity of voices that are able to participate in the news ecosystem. Since the rise of consumer internet services over almost three decades, developments of new technology means the industry is not only managing change but is also presented with new opportunities. Many services (e.g. Facebook, Google News and Search, Twitter and Yahoo News) have provided publishers with access to larger audiences than ever before, creating new opportunities and revenue streams. For many journalists, these platforms form an integral part of how they identify emerging stories, distribute content, connect with audiences, and measure engagement.

DIGI members are invested in working together with journalists and media organisations to identify and support new business models that promote journalism while allowing consumers to find content and control their experience, and our members are undertaking numerous initiatives to achieve that end.

The Terms of Reference for the Inquiry have identified matters to be taken into consideration in the course of the Inquiry. This submission will focus on:

- The benefits of digital platforms to Australian consumers, businesses, content creators and publishers;
- Technological changes and the emergence of online news and journalistic content; and
- The role of digital platforms in supporting content creators, advertisers, consumers, and publishers.

DIGI supports legislative and policy frameworks that do not inadvertently discourage the development of these new business models but rather encourage innovative uses of digital platforms as new distribution channels to reach new audiences.

2. The benefits of digital platforms

a. Business benefits

The Internet, social media, online search, digital advertising, cloud computing, and countless other Internet technologies have facilitated cross-border data flows and trillions of dollars in economic activity. These technologies have made it easier for businesses of any size to find new customers, boost sales, increase productivity, and invest in innovation. At the same time, the Internet has lowered barriers to starting a new business and offers entrepreneurs unprecedented scale and resources.

AlphaBeta¹ highlight that businesses across Australia use the internet to connect with their customers and reach out to new customers. This is most apparent in the growing e-commerce industry, with more than 40 per cent of Australians now regularly buying products online. But the internet also supports bricks and mortar businesses because many Australians conduct online research before making offline purchases. Around one in three online Australians use their mobile devices to check prices online while they are shopping in a store.

Specifically with regards to Google, Alpha Beta note in the same report that:

- Google helps businesses grow by efficiently connecting them with new customers, by providing revenue streams for content-creators and by improving productivity through tools for collaboration and communication.
- Google seeks to maximise the efficiency of advertising by delivering relevant advertising to consumers as they search for a product or service. This helps to direct advertising to interested consumers. These efficiencies allow businesses to invest savings into reaching new customers or improving their product. This is particularly relevant for small businesses which don't have the scale to warrant 'brand advertising' and don't have the resources to advertise their products on television, radio or in newspapers.
- Google enables small businesses to be searched for free by customers looking for their specific product or service. And small businesses can also supplement this with paid advertising delivered through performance-based pricing models.
 - In these models, businesses only pay when an interested consumer clicks on their ads, i.e. when the advertising is working. These online marketing services have lowered the barriers to advertising.

The benefits to small business advertisers were also identified by Deloitte Access Economics in its 2017 survey of more than 1,500 Australian SMBs, for Google²:

¹ AlphaBeta, [Google Economic Impact, Australia 2015](#)

² Deloitte Access Economics, [Connected Small Businesses 2017](#)

Digital engagement has become a critical ingredient to SMB success... digital tools can... assist development and implementation of business strategy, and are strongly correlated with revenue growth, innovation and expanded market reach.

New insights into how Australian small businesses use online tools were made available as part of the launch report for the [Future of Business](#) collaboration announced in February 2016 between Facebook, the OECD and the World Bank. In the first seven months to September 2016, 5000 small businesses on Facebook in Australia responded to the survey via email and revealed that on average, small businesses in Australia use online tools to:

1. Provide information (95%)
2. Advertise to potential customers (92%)
3. Communicate with customers or suppliers (92%)
4. Show products/services (92%)
5. Sell products/services (82%)
6. Manage internal business processes (56%)

AlphaBeta has also found that;

- Australian SMBs attribute around \$90 billion of income to the Internet; and
- 1 in 3 SMBs receive orders via online platforms.

Businesses are able to reach global markets using technology. All kinds of businesses, from the largest e-commerce sites to the smallest local businesses, are able to reach new markets through technology. Today, every business can be a “micro-multinational” and reach approximately 3 billion consumers online.

The January 2017 report for the Future of Business Survey mentioned above, which focused on small businesses and international trade, found that:

- Digital presence matters for international trade: 17% of small businesses with a digital presence are engaged in international trade. But small businesses that have yet to trade internationally face challenges including market access limitations and other customs and foreign country-specific regulations.
- Small businesses engaged in international trade are more confident about the present and near-term outlooks of their businesses than non-traders. And these small businesses attribute growth — in revenue, resources, and jobs — to their use of online tools to trade internationally.
- Small businesses that use digital tools for a higher number of purposes are more likely to engage in international trade.
- From March to May 2017, 10% of small businesses in Australia reported in the Future of Business Survey that they were trading internationally, including 17% exporting.

Google is helping SMBs make the most of the opportunity to reach global markets by offering tools and services they can use to grow and promote their businesses online. Some examples are: [AdWords](#), [Google My Business](#), [Google Translate](#), [Global Business Map](#), and [Google Analytics](#).

Oxford Economics recently quantified the likelihood of export incidence for digitally engaged SMBs, noting the web, social media, online search, mobile apps, cloud computing, and countless other Internet technologies are facilitating cross-border trade and data flows, generating trillions of dollars in economic activity.

Oxford found a strong growth dividend for the Australian economy if more small businesses were to embrace digital tools and technology, potentially driving the creation of up to 10,500 jobs and addition of \$3.3 billion to Australia's export sales.

Small businesses with high levels of digital engagement are not only more likely to find new overseas customers, but also more likely to be accessing new sources for products and services – in other words, the web is opening Australian SMBs to a broader spread of potential customers, suppliers and trade partners.

Technology is part of the solution and is being used to create more opportunities for SMBs in both new and traditional industries. Facebook's Economic Impact Report 'Small Businesses are Growing with Facebook in Australia' (2017) found that:

- More than 1 in 3 small and medium-sized businesses on Facebook built their business on the platform
- 46% say they've been able to hire more employees due to growth in demand since joining the platform
- 61% say they have increased sales because of the platform
- 59% of SMBs on Facebook believe the platform allows them to sell products or services to in other cities, states or countries
- 69% of SMBs on Facebook state that the platform helps them attract customers
- 62% say digital and social media skills are important when thinking about hiring a new employee, more than where an applicant went to school, and
- 78% of SMBs believe Facebook helps to connect people in their local community.

Google's machine-learning [software](#) have been open sourced and are available for free, so people can take the software, change it and build on it to create new opportunities: whether it's about helping businesses with time-consuming, repetitive tasks (eg. [sorting cucumbers](#)); helping researchers develop forecasting or analysis models (e.g. [forecasting electricity prices](#)); or helping small startups like Tribe [supercharge their products](#) to take on bigger competitors.

Online platforms can also be used to help workers and business owners build new skills that may be useful for jobs of the future. On YouTube, for example, you can learn [new languages](#), prepare for a [job interview](#), or even take a full [course in machine learning](#).

Digital engagement has become a critical ingredient to SMB success, and drives greater productivity and higher revenue growth. Data from the Deloitte Access Economics Connected Small Business report (2017) shows those businesses with an advanced level of digital engagement on digital platforms are;

- 50% more likely to be growing revenue; and
- Earning 60% more revenue per employee than those businesses with only a basic engagement with digital platforms³.

From previous research, we know that this cohort is also;

- More than 8 times more likely to be creating jobs, creating an average of 12 additional jobs in the previous year;
- 7 times more likely to be exporting; and
- More than 14 times more likely to be innovating by offering new products or services.

To help close the gap in digital skills and help small businesses make the most of the web, Google also launched the [Digital Garage](#): a free online training platform. In its first year, tens of thousands of Australians visited the The Digital Garage online and, their national traveling training roadshow has directly engaged thousands of SMBs. The platform includes almost 90 training modules; everything search to social media to digital marketing, to help small businesses grow online.

b. Benefits to content creators

Of course, companies are not the only beneficiaries of digital platforms. Millions of journalists, developers, musicians, authors, and other types of creators can now instantly reach a global audience and make a living doing what they love thanks to the digital distribution platforms made possible by the Internet.

YouTube has given Australian content creators an opportunity to find an audience, build a business and export their Australian made content to the world. There are more than 100 Australian YouTube creators who earned more than \$100,000 in 2016 through advertising revenues on YouTube alone. More than 550,000 hours of Australian content was uploaded by Australian creators to YouTube in 2016 - more than 1 hour every minute.

For publishers on the web, expanded traffic creates new opportunities to drive revenue including through the sale of goods or services (such as subscriptions) and displaying advertising. Google offers a suite of technology products that can assist publishers to monetise content and drive revenues, including advertising tools and technology designed hand-in-hand with publishers to help ease the transition to a digital first operating model. For instance, AdSense assists

³ <https://www2.deloitte.com/au/en/pages/economics/articles/connected-small-businesses-google.html>

publishers to show ads relating to search terms entered by customers on their website or to show ads relating to content. AdSense operates on a revenue share basis where the majority goes to the website publisher. Google distributes 70% of its display ad revenues to publishers.

In 2016, the economists at AlphaBeta quantified the economic impact of AdSense as equivalent to \$91 million in benefits for business in Australia in 2015. These benefits are driven by Australian writers, bloggers and other content creators generating income from hosting ads on their sites.

Advertising revenue supports the continued availability and quality of content on the internet. Approximately one in four pages searched via Google exhibit advertising. In Australia, this means that Australians viewed around 15 billion pages of content in the past year that were made possible, in part, by advertising.

Twitter has also given content creators and publishers a way to leverage their content through Niche.⁴ A part of the Twitter family since 2015, Niche works with creators alongside top brands to develop branded content and help fuel the creator economy by developing leading technology, consisting of free, cross-platform analytics.⁵

When Twitter acquired Niche, it had around 6,000 creators. As of 2017, more than 45,000 creators use Niche to connect with brands.⁶ As more users and creators use different products as a way to share what's happening in their world, brands are increasingly looking to partner with those individuals in hopes of generating moments that resonate with the people they are trying to reach. Through this multi-platform approach, influencers who have a presence on numerous platforms can join Niche to get connected with brands, and brands can search for just the right influencers to create custom content for them as part of their influencer marketing strategies.⁷

c. Benefits to advertisers

Innovative digital platforms have also been transformative for the advertising sector and Australian advertisers, which had grown by 11.7% in the year to 2017 according to the PwC Media and Entertainment Outlook. In presenting the Report, the Outlook's author, Megan Brownlow, highlights the impact of technological innovation on the advertising industry, citing digital Out Of Home advertising as the key driver of that category's strong growth.

⁴ Niche (17 April 2018) [Website]. Retrieved from <https://www.niche.co/>.

⁵ *Ibid.*

⁶ Main, S. AdWeek (31 March 2017). "How Niche, The Twitter Owned Influencer Network, Helps Its Creators Flourish." Retrieved from

<http://www.adweek.com/digital/how-niche-the-twitter-owned-influencer-network-helps-its-creators-flourish/>

⁷ Twitter (11 February 2015). Welcoming Niche to the Twitter family [Blog]. Retrieved from https://blog.twitter.com/official/en_us/a/2015/welcoming-niche-to-the-twitter-team.html

However, even the digital advertising channel is constantly evolving: voice assistants; augmented-reality platforms; new devices like smart TVs and home speakers; the resurgence of branded content, native advertising and presenting sponsors; the return of ISP-owned ad tech services and even blockchain-enabled marketing suggest that the future of digital advertising will be bright, and characterised by new innovation.

For example, Australia is an important market for Twitter's global content partnership programs. Twitter In-Stream Video (previously Twitter Amplify) is designed to let publishers monetise their video content on Twitter while making it easier for advertisers to reach massive audiences. Through these partnerships with Australian news organisations, Twitter has helped promote major events like the Federal Budget, Melbourne Cup, and Mardi Gras via live broadcasts while also helping to monetise this content by aligning media publishers with advertisers.⁸

Similarly, DIGI members have advertising services and platforms that help advertisers achieve a long-standing goal of placing their ads before the right users at the right moments and measuring whether their dollars are being well spent. Data and technology help match users who are likely to be interested in a product or service. For example, the [McDonalds Loaded Fries campaign](#), which presented a movie over five episodes on Facebook and used its McDonald's Australia Facebook community to help shape the story; and the [Qantas Instameet campaign](#), which reached over 5.8 million Instagram followers and collected more than 500,000 likes. This ability to create smaller audience segments has yielded significant economic benefits for businesses large and small and is difficult to emulate on more traditional media platforms.

3. Technological changes and the emergence of online news and journalistic content

The internet and digital technology have fundamentally changed many industries, including media companies and news publishers. On the one hand, this technology has brought with it challenges traditional media businesses borne in the pre-internet era who are adjusting to the new opportunities of the digital world; on the other, the rise of micro publishers on the web, where anyone with an internet connection can publish information on events, politics, and ideas, has empowered more voices and offered more views in turn making the media ecosystem more pluralistic and democratic.

This isn't the first time technological changes have impacted the way people access and consume news. After a century of being the primary means of distributing news and information, newspapers faced new competition from the emergence of commercial radio in the 1920s. Three decades later, the news industry once again had to adjust with the advent of television, which brought on a new creative and commercial era for the distribution of news and

⁸ Twitter (18 April 2017). How In-Stream Video Ads on Twitter help marketers tell their story [Blog post]. Retrieved from https://blog.twitter.com/marketing/en_us/topics/best-practices/2017/how-in-stream-video-ads-on-twitter-help-marketers-tell-their-story.html

information. The arrival of the internet and digital technologies in the mid 1990s / 2000s again shifted the distribution and consumption of news by consumers, and challenged traditional mediums. However, the drop in revenue in certain media industries have been offset by other aspects of digitisation:

“...despite the sharp revenue reductions for recorded music, as well as threats to revenue in some other traditional media industries, other aspects of digitisation have had the offsetting effects of reducing the costs of bringing new products to market in music, movies, books, and television.

On balance, digitisation has increased the number of new products that are created and made available to consumers. Moreover, given the unpredictable nature of product quality, growth in new products has given rise to substantial increases in the quality of the best products and therefore the benefit of these new products to consumers.”⁹

DIGI believes that overall the consequence of the changing news publisher landscape is:

- wider availability of sources (whereas newspaper markets were previously characterised by geographic efficiencies of distribution and coverage, today the average consumer can access news from the Phnom Penh Post as readily as they can the Sydney Morning Herald);
- greater diversity of voices;
- greater competition for news publishers; and
- greater choice for consumers (who as discussed above have been beneficiaries of this changing media landscape as it has enabled them to consume a greater variety of content across different platforms at the time of their choosing).

Research from AlphaBeta found that over 658,000 Australian news and politics videos are watched every day on YouTube from over 50 channels, including the Liberal and Labor parties, GetUp, and the Australian Federal Police. Further in the broadcast sector, AlphaBeta found that the industry concentration has halved over the last decade as a result of the proliferation of new voices¹⁰. In this context, a number of new media outlets have flourished including internet only news publishers like Yahoo News, BuzzFeed, Huffington Post, Mashable, Gizmodo, The Conversation, Junkee, Pedestrian TV, CNET, Mamamia, Techcrunch, and many others. Australia has also seen The New York Times and The Guardian launch digital only offerings in Australia with great success.

While new business models are emerging for news publishers in the online world, the business models of traditional news publishers are rapidly evolving to meet changing consumer

⁹ How Digitization Has Created a Golden Age of Music, Movies, Books, and Television, Joel Waldfogel, 2017, http://www.law.nyu.edu/sites/default/files/upload_documents/Waldfogel%20How%20Digitization%20Has%20Created%20a%20Golden%20Age%20of%20Music.pdf

¹⁰Bigger Picture: The new age of screen content, AlphaBeta, November 2016.

demands. For example, publishers of the Sydney Morning Herald, New York Times, and Washington Post have spoken of adapting their business models.

- Owner of the Washington Post Jeff Bezos recently made comments at a conference on the Future of Newspapers where he attributed the success of turning the Washington Post's fortunes around to several factors including hiring an additional 140 reporters and focussing on the readers¹¹.
- Nick Falloon, Chair of Fairfax also said in the 2017 Annual Report: "We are the leading digital publisher in Australia and NZ, reaching a combined audience of around 13 million. This strong digital position is a reflection of a strategic decision to move with consumer trends and embrace modern technologies to deliver quality, independent journalism, compelling content, and engaging experiences."¹²

4. The role of digital platforms in supporting advertisers and consumers

The Internet has driven the proliferation of content to the overwhelming benefit of Australian consumers, from news to information to entertainment, today Australians are spoilt for choice when it comes to accessing content.

DIGI members want to see modern-day media and advertising organisations thrive in this environment, because our platforms and services - and in turn consumers - benefit when our partners succeed.

There are a number of tools and initiatives that DIGI members undertake to support journalists and news publishers, including through:

- working with journalists to help them deepen their digital skills¹³
- providing news publishers and journalists with tools to help surface stories, measure their social performance, and identify influencers¹⁴; and
- helping news publishers monetise their content online.

The Google News Initiative is Google's effort to help the news industry thrive in a digital age. Google is committing USD\$300,000,000 over three years to elevate and strengthen quality journalism, evolve business models to drive sustainable growth (including through a media

¹¹ Jeff Bezos has advice for the news business: 'Ask people to pay. They will pay', CNBC, June 2017.

¹² 2017 Fairfax Annual Report, page 6, Chairman's Report, http://www.fairfaxmedia.com.au/ArticleDocuments/193/2017%20Fairfax%20Annual%20Report_Book.pdf.aspx?Embed=Y

¹³ See for example Helping journalists deepen their digital skills in their own time, the Walkley Program on Innovation in Journalism and Helping journalists tell stories with data and the Digital news Initiative.

¹⁴ See for example [Using Tweetdeck as a newsgathering tool](#), and [CrowdTangle became free for Facebook partners](#).

subscription product) and empower news organisations through technological innovation. This is in addition to the ongoing sharing of advertising revenue with news organisations globally (USD\$12.6 billion in 2016) and facilitating visits to news publisher websites (10 billion clicks per month).

Established content owners and broadcasters are also using YouTube to promote their content and earn additional revenue online. For instance, as part of its Olympics coverage in Rio 2016, Seven Network formed an exclusive partnership with Google to distribute highlights, clips and compilations on a dedicated YouTube channel. The channel received more than 15 million views in Australia.

In 2017, Facebook launched the Facebook Journalism Project¹⁵ to support journalism globally and to build stronger relationships with the media community. Through this Project, Facebook is collaborating with journalists and publishers to develop products, learning from journalists about ways it can be a better partner, and working with publishers and educators on how it can equip people with the knowledge they need to be informed readers in the digital age.

Twitter also works closely with an array of organizations devoted to protecting and enhancing those rights and capabilities. Among its marquee partners are the Committee to Protect Journalists, Reporters without Borders, Article XIX, the Walkley Foundation and many other organisations. Through initiatives like World Press Freedom Day, Twitter participated in and hosted events to celebrate excellence in journalism, and the importance of a free press. Twitter has also conducted outreach, provided trainings, and lent support to many journalistic organisations.

Finally, DIGI members are taking action to help people skill up and improve their digital literacy. These initiatives include working with news publishers as part of global consortium focused on helping people make informed judgments about the news they read and share online.¹⁶

¹⁵ See Facebook, *Facebook Journalism Project*, <https://www.facebook.com/facebookmedia/get-started/facebook-journalism-project>.

¹⁶ See for example [The News Integrity Initiative](#), and the [First Draft Coalition](#).