

Submission to the ACCC's Digital Platforms Inquiry

News Referrals

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In its Preliminary Report, the ACCC identifies the market for ‘news referral services’ as a distinct market in which Facebook and Google have a large combined market share and, therefore in the ACCC’s view, in which each possesses market power.¹

The ACCC’s findings on this point are important, because they give rise to a number of the stronger policy recommendations the ACCC then makes. The purpose of this report is to look closely at the ACCC’s preliminary analysis of a ‘news referral services’ market, and to present reasons why the ACCC should question the existence of such a market and adjust its analysis to reflect the actions and incentives of publishers, consumers, and platforms.

To do this, I discuss the distinctive features of the various technologies and consumer processes that the ACCC groups together and refers to as ‘news referral services.’ I then discuss the processes on social media platforms that may lead to users navigating to a news media website and why these processes are not part of a broader ‘news referral market.’ Finally, I discuss data on traffic between Facebook and news media websites, and how to analyse such traffic. This data suggests that on average 8.7% of desktop traffic to major Australian news media websites comes from Facebook. The consumer and news media website interactions on platforms such as Facebook that are counted in the Preliminary Report as part of the news referral market appear to be tools or complements that expand markets for news. This suggests that Facebook is not an essential facility in an economic sense, though it is undoubtedly a useful tool for news publishers to use to increase their audience.

1 Summary of Preliminary Report and ‘News Referral Markets’

In this section, I summarise some of the major findings regarding news referral markets in the Preliminary Report that I more thoroughly discuss in the rest of this paper.

¹ I have been engaged by Facebook to prepare an analysis of this matter. All views expressed in this paper are my own and based on my research.

1.1 Market power in the supply of news referral services

The Preliminary Report states that:

Google and Facebook are ‘must have’ sources of traffic for news media businesses in Australia. Combined, they account for more than 50 per cent of traffic to news media websites. Google and Facebook each have substantial market power in the supply of news referral services to media businesses.²

The report also notes:

If a media company chose not to receive referrals from Facebook, there are again substitution possibilities. Users may increase their tendency to access the websites directly or to access the website through Google. The ACCC considers that such substitution, to the extent that it occurred, would not fully offset the fall in referrals from Facebook. For example, users of Facebook may encounter links to media websites that they generally would not access—either directly or through Google—because a friend ‘liked’ that media business, or a friend posted a link to its website.

Accordingly, for a broad range of news media businesses, a failure to allow hyperlinks to the websites of news publishers to appear on the Facebook news feed would ensure a substantial loss of traffic and the attendant revenue. Therefore, there is little competitive constraint on Facebook in the supply of referral services. The ACCC’s preliminary view is that Facebook, like Google, has substantial market power in the supply of news media referral services.³

This paper will discuss how news media websites and platforms like Facebook interact, why it is inaccurate to think of these interactions as part of a broader ‘news referral market,’ and the extent to which these interactions constitute a major source of valuable traffic for news media websites. The differences in the processes that lead to consumers visiting news media websites after visiting Facebook, and the extent to which consumers and news publishers control these processes, mean that referring to a singular news referral market appears incorrect. Even if the ACCC’s proposed market for news referrals existed, Facebook has a low share of referral traffic, meaning that there is little reason to think it would have market power if the market did exist.

² ‘Digital Platforms Inquiry: Preliminary Report,’ *Australian Competition and Consumer Commission*, December 2018 (‘ACCC Preliminary Report’), p. 61.

³ ACCC Preliminary Report, p. 63.

2 Is Facebook Part of a News Referral Market?

2.1 How social media sites operate

Similar to other social media websites such as Twitter, Pinterest, and Tumblr, Facebook is a user-generated content platform in which users create (post) and interact (like, share, comment) with content among networks (friends, colleagues, sports teams, news media, etc.) that they individually value. Facebook is also an advertising platform that monetises users' attention on the platform by selling ad inventory to advertisers.

Users' mixture of motives for using Facebook can vary substantially: one person might use Facebook to keep up with their colleagues' baby pictures and exchange recipes, while another person might use Facebook to debate current events with their college friends and exchange family news. Keeping in mind Facebook's incentive to keep users engaged on the platform, Facebook strives to ensure that its users are shown content that is most relevant to them based on their individual uses of the platform. There is no doubt that the content users see on Facebook may lead users to temporarily leave the platform to access that content. For example, if one looks at traffic patterns to The Sydney Morning Herald website, 5.9% of unique visitors visited Facebook prior to browsing the website. After visiting The Sydney Morning Herald website, 4.6% of visitors went to Facebook.⁴ In other words, a Facebook user might temporarily leave Facebook to access a news article posted by one of her friends, but often users will resume use of Facebook that may be (and usually is) unrelated to news.

Most users do not go to Facebook solely to consume or find news. Teens largely see social media as a way to connect with friends and family, not to find news.⁵ Facebook is a platform where users can engage with their networks across a wide range of topics and interests. As such, the next closest substitute for a news link on social media is another post shared on the user's feed. Therefore, if users go to Facebook, at least partially, to engage with friends and family but end up

⁴ 'smh.com.au Upstream Sites,' *Alexa*, available at: <https://www.alexa.com/siteinfo/smh.com.au#smh.com.au>; 'smh.com.au Downstream Sites,' *Alexa*, available at: <https://www.alexa.com/siteinfo/smh.com.au#smh.com.au>.

⁵ Anderson, Monica, and JingJing Jiang, 'Teens, Social Media & Technology 2018,' *Pew Research Center*, 31 May 2018, available at: <http://www.pewinternet.org/2018/05/31/teens-social-media-technology-2018/>.

navigating to a news media website that they did not have the initial intent to visit, that suggests that this view of a news article is an incremental gain in the news media website's audience, and therefore a source of market expansion.

Interactions between users occur on Facebook because Facebook's underlying technology is optimised to show users content that is most relevant to them, in order to keep users engaged on the platform. As such, interactions concerning news, which might result in users temporarily leaving the Facebook platform, occur not because Facebook takes action to connect users and news content specifically, but because users and news publishers have themselves taken action to reach each other. If I end up reading an article about the New South Wales election on The Sydney Morning Herald because my friend posted an article on Facebook, it is important to think about the factors that led to this referral. First, The Sydney Morning Herald must have produced journalism that my friend found engaging enough to share on her Facebook profile. Secondly, The Sydney Morning Herald and my friend must have reached each other in some way, which ultimately led to my friend reading the article and sharing it on Facebook. Facebook simply facilitated individuals' interaction with each other.

2.2 How news publishers make money

News publishers have several options to monetise the attention users provide while consuming news content on their websites.⁶ One option is simply relying on advertising. To do this successfully, a news media website has to attract sufficient users, integrate with the advertising ecosystem to obtain data about these users, and target advertising successfully to these users. At the other extreme, news media websites can elect to have a paywall where users pay for all content, either on a per-article basis or via a subscription model. For example, the Financial Times has maintained a paywall since 2002, and in 2017 exceeded 900,000 paying subscriptions across both

⁶ Chiou, Lesley, and Catherine Tucker, 'Paywalls and The Demand For News,' *Information Economics and Policy*, Vol. 25, No. 2, 2013, pp. 61-69.

print and digital formats.⁷ The Australian has also had great success with its paywall, achieving 100,000 digital subscribers in 2017.⁸ Alternatively, it is possible to have a hybrid model that allows readers access to a certain number of articles a month after which they meet a paywall, and that monetises the free content through advertising.⁹

In effect, the particular business model a news publisher employs reveals the way in which that news publisher has chosen to monetise the attention users provide while consuming content. It is worth noting that not all attention from users is the same in terms of expected profitability for a news publisher. In contrast to the ACCC's assumption that all sources of web traffic are of equal value to news publishers, the value of web traffic to a news publisher may differ. The value of a user who is casually browsing news after being redirected from a platform like Facebook is different from the value of a user who is an active consumer of news from that news publisher: casual news browsers are less likely to engage with news publishers in other valuable ways like downloading mobile apps or subscribing, making these users less valuable in news publishers' eyes. Research has documented that users who download apps and consume news from both websites and mobile apps tend to consume more news.¹⁰

2.3 How news publishers connect with users: paid, owned and earned reach

The decision of which model or mix of models to pursue is up to the news publisher and depends on, among other things, how monetisable the content is via advertising, and how likely the news media website's readership is to pay for news. In either case, a news media website, like other websites, needs to attract readers to its website – something I discuss in this section.

⁷ Weissman, Cale G., 'You Say Paywalls Are Back? For The FT, They Never Went Away,' *Fast Company*, 12 January 2018, available at: <https://www.fastcompany.com/40514008/you-say-paywalls-are-back-for-the-ft-they-never-went-away>.

⁸ 'The Australian Achieves 100,000 Paying Digital Subscribers,' *Mumbrella*, 30 October, 2017, available at: <https://mumbrella.com.au/australian-achieves-100000-paying-digital-subscribers-480570>.

⁹ Aral, S., and P. Dhillon, 'Digital Paywall Design: Effects on Subscription Rates & Cross-Channel Demand,' Working Paper, 2017. Publishers may also elect to monetise subscription content a second time through advertising.

¹⁰ Xu, Jiao, Chris Forman, Jun B. Kim, and Koert Van Ittersum, 'News Media Channels: Complements or Substitutes? Evidence from Mobile Phone Usage,' *Journal of Marketing*, Vol. 68, No. 4, July 2014, pp. 97-112, available at: <https://journals.sagepub.com/doi/abs/10.1509/jm.13.0198?journalCode=jmxa>.

2.3.1 *Paid reach*

Paid reach is the most direct form of outreach to attract customers to a particular news media website. For example, The Sydney Morning Herald may place an ad on another website that it believes will attract visitors who have similar profiles to their regular readers. When users click on this targeted ad, it takes them directly to The Sydney Morning Herald website, where they are then prompted to purchase a subscription to the news media website. Another way news publishers can employ paid reach is by promoting certain posts and stories from their social media accounts. In the same way that other advertisers can connect with users on these platforms by promoting their own brand's posts, news publishers can use social media websites like Facebook to promote their pages' posts.

Similarly, Google's search services may help connect users and news media websites through paid reach. For example, news publishers can place search ads for keyword searches such as 'today's news' or 'best op-eds' to expand their reach and grow their audience. Paying for ads, however, relies on finding customers who are willing to engage with the ad, which often limits the efficacy of this strategy.¹¹ In these ways, online platforms like Facebook and Google may help connect users and news media websites through the use of sponsored posts or advertisements. As such, Google, Facebook, and other platforms compete for advertising revenue from news publishers in the same way these platforms compete for advertising revenue from banks or car insurance providers. Aside from paid advertising referrals, Facebook does not compete to refer users to news media websites any more than it competes to refer users to banks when a user posts a request on Facebook for bank recommendations from family and friends.

2.3.2 *Owned reach*

A news publisher can also pursue a strategy of 'owned' reach where it invests in building up its own website, app or social media channel to grow its audience.

¹¹ As I document in my research, most consumers simply ignore online advertising. Goldfarb, Avi, and Catherine E. Tucker, 'Standardization and the Effectiveness of Online Advertising,' *Management Science*, Vol. 61, No. 11, 2014, pp. 2707-2719.

Some of these strategies involve using social media platforms like Facebook to expand the reach of news media websites, such as the Sydney Morning Herald's investment in developing content on its Facebook page. A news publisher's decision to create a free Facebook page reveals another way Facebook facilitates interactions between news media websites and users. News publishers decide whether to create a Facebook page and also decide the frequency, quality, and type of content they share through this channel. Users' preferences and actions, such as the decision to 'follow' a particular news publisher's page or the extent users engage with a particular page shape these interactions. Although Facebook is a platform across which these interactions occur, Facebook itself has little control over these interactions; however, the ACCC counts these interactions as referral traffic from Facebook. In general, the marketing literature emphasises that such news publisher efforts on social media platforms generally have a market expansion effect and should be thought of as customer acquisition tools.¹²

Most owned reach strategies, however, do not involve social media platforms like Facebook. The Sydney Morning Herald has attracted attention online in a number of ways. It first invested in a proprietary website in 1995,¹³ and has continued to redesign its website to ensure a high-quality experience for consumers who choose to read news directly on its website.¹⁴ The publisher has also invested in its own mobile and tablet apps for news consumption. Using information gathered from

¹² Mochon, Daniel, Karen Johnson, Janet Schwartz, and Dan Ariely, 'What Are Likes Worth? A Facebook Page Field Experiment,' *Journal of Marketing Research*, Vol. 54, No. 2, pp. 306-317.

¹³ 'How We Built Our Home on the Web,' *Sydney Morning Herald*, 17 April 2005, available at: <https://www.smh.com.au/national/how-we-built-our-home-on-the-web-20050417-gdI314.html>.

¹⁴ 'smh.com.au Launches New Adaptive Website,' *Sydney Morning Herald*, 14 July 2016, available at: <https://www.smh.com.au/national/nsw/smhcomau-launches-new-adaptive-website-20160713-gq4sg4.html>; Davies, Lisa, 'The Sydney Morning Herald Launches a Fresh, New Look Website,' *Sydney Morning Herald*, 26 February 2018, available at: <https://subscribers.smh.com.au/articles/sydney-morning-herald-launches-fresh-new-look-website/>.

its app about its readers' preferences, The Sydney Morning Herald has created new interfaces to improve users' mobile experiences.¹⁵

News publishers are also responding to consumers who increasingly rely on publisher-provided news alerts as a gateway to the news.¹⁶ For example, Nine has pursued an owned-reach strategy by investing in its mobile app. In producing the top Australian news mobile app in the Apple Store,¹⁷ this investment allows the news publisher to engage users in new ways.

2.3.3 *Earned reach*

A news publisher can also pursue a strategy of earned reach by making investments to organically attract users' attention. For example, news media websites can develop content that users will organically share among their friends.¹⁸ To do so, news publishers can use tools such as CrowdTangle¹⁹ to track what drives sharing of their content on social media.²⁰ Just as brands

¹⁵ French, Stephen, 'Fairfax Relaunches Improved SMH and The Age Apps,' *Tech Guide*, 30 May 2011, available at: <http://www.techguide.com.au/reviews/apps/fairfax-relaunches-improved-smh-and-the-age-apps/>; 'The Sydney Morning Herald and The Age Weekday Compact Editions Launch Today,' *Campaign Brief*, 4 March 2013, available at: <http://www.campaignbrief.com/2013/03/the-sydney-morning-herald-and.html>.

¹⁶ Park, Sora, Caroline Fisher, Glen Fuller, and Jee Young Lee, 'Digital News Report: Australia 2018,' *University of Canberra News & Media Research Centre*, 2018, p. 85.

¹⁷ 'Mobile App Ranking,' *SimilarWeb*, 3 February 2019, available at: <https://www.similarweb.com/apps/top/apple/store-rank/au/all/top-free/iphone>.

¹⁸ Tucker, Catherine E., 'The Reach and Persuasiveness of Viral Video Ads,' *Marketing Science*, Vol. 34, No. 2, October 2014.

¹⁹ This is provided by Facebook as a free tool for publishers.

²⁰ ACCC Digital Platforms Inquiry Submission by Facebook Australia Pty Limited, April 2018, p. 25. The Australian Broadcasting Company ('ABC') has used CrowdTangle to increase audience engagement across its regional newsrooms. See, 'How the Australian Broadcasting Corporation Rolled Out CrowdTangle to 500 Digital Producers Across its Regional Newsrooms,' *Facebook for Media*, 15 May 2018, available at: <https://www.facebook.com/facebookmedia/blog/how-the-australian-broadcasting-corporation-rolled-out-crowdtangle-to-500-digital-producers-across-its-regional-newsrooms>.

attempt to attract users through advertising campaigns that users will share with each other,²¹ news media websites can also focus on content that will be shared. Sometimes, shared stories may touch on difficult issues which require in-depth reporting. For instance, The Sydney Morning Herald's story of a town haunted by cancer among its child residents was shared 35,699 times on Facebook.²²

While news media websites may benefit from Facebook's platform to increase their audience through earned reach, social media platforms like Facebook are not competing with news media websites or 'referring' users to news media websites. Rather, social media platforms provide news media websites a mechanism to grow their audience, and therefore are complementary services that enhance news media websites' reach.

Though the success of pursuing paid, owned or earned reach will vary depending on the website, each strategy can be thought of as substitutes for news publishers, as they are all means of attracting users' eyeballs to news content.

2.4 Different types of 'news referrals'

In its proposed market for news referrals, the Preliminary Report appears to be conflating a number of different products and processes by which readers end up at news media websites. From my review of the Preliminary Report, these potential products and processes include, but may not be limited to:

- user clicks on links in search results from a search engine,
- user clicks on links ranked on a curated news aggregation app or site,
- user clicks on links of news articles posted on social media,

²¹ Ehrlich, Brenna, 'The Old Spice Social Media Campaign by the Numbers,' *Mashable*, 15 July 2010, available at: <https://mashable.com/2010/07/15/old-spice-stats/?europa=true#9Xil3gU.HaqM>. More people viewed the 'response' videos on the first day they ran than watched President Obama's 2008 election-night acceptance speech. 'History of Advertising: No 191: Old Spice's "Smell like a man, man" campaign,' *Campaign*, 16 June 2017, available at: <https://www.campaignlive.co.uk/article/history-advertising-no-191-old-spices-smell-man-man-campaign/1436615>.

²² Facebook's API reveals that this story was shared 35,699 times. *See* <https://graph.facebook.com/?id=https://www.smh.com.au/world/north-america/toxic-secrets-the-town-that-3m-built-where-kids-are-dying-of-cancer-20180613-p4zl83.html>.

- technologies such as Instant Articles which allow users to review an article in a more efficient manner, and
- user clicks on paid ads.

In each of these cases, the Preliminary Report appears to be measuring the aggregated traffic that news media websites receive as a result of all of these distinct products or processes.

There are important differences between each of the proposed products or processes that the ACCC inaccurately groups and defines as ‘news referral services’. For example, there is a clear difference between a ‘referral’ from Google when someone types ‘Sydney Morning Herald’ into the search engine and clicks on the first link; a ‘referral’ from Facebook where the user clicked on a news article that their uncle had posted; and a ‘referral’ from Facebook because that user follows the ‘Sydney Morning Herald’ on Facebook and clicks on a post shared by The Sydney Morning Herald itself. This complexity is not reflected in the ACCC’s definition of a ‘news referral market.’

Distinctions in how users interact with a platform and ultimately navigate to a news media website are important. These distinctions are significant enough that the processes are not comparable, and consequently are not substitutes. I discuss this with reference to search engines below.

Traffic from organic search is the second largest source of traffic for news media websites.²³ However, some of this traffic is navigational, and it is not clear that navigational search should be thought of as a referral rather than simply as navigation. By a navigational search, I mean that the user typed in the name of the news publisher into the search engine with the intention of directly navigating to the news media website. For example, for The Sydney Morning Herald website, 24.2% of organic searches used ‘smh’ as a search term, while 6.3% of searches used ‘sydney morning herald’. Similarly, 27.1% of organic searches prior to navigating to The Australian’s website used ‘the australian’, while 3.9% of searches used ‘theaustralian.’²⁴ In both cases, these

²³ See Table 1 for full statistics.

²⁴ SimilarWeb public data, February 2019.

navigation searches were by far the largest types of organic search terms used to reach the news media website.

Other, rarer searches reflect a long tail of search terms. Though some users may be searching for current news events such as ‘thai cave rescue,’ there is also extensive content on news media websites that is meant to expand search relevance for non-current news topics. For example, one search query that led a user to navigate to The Sydney Morning Herald was ‘Who wrote “go ahead and make my day.”’ Another query was ‘How many children does Malcolm Turnbull have.’²⁵ Without the search engine in place, that user would not have known that such information could be found on The Sydney Morning Herald website, and as a result, such terms represent a market expansion effect.²⁶

This discussion of just one source of traffic—search engines—reveals nuances that matter for understanding how potential sources of news media website traffic differ. Some processes are strictly navigational, providing another option for users to reach a news media website they already intended to visit, and some are market expanding, bringing consumers to news media websites they might not otherwise have specifically sought.

2.5 Platforms do not compete to refer users to news media websites

Even though the strategies of paid, earned and owned reach may in the eyes of news media websites represent alternative ways to attract users to their websites, social media platforms themselves do not compete for the ability to refer users to news media websites. On the contrary, social media websites are incentivised to keep users engaged and on their platforms. Users clicking on news links that they find interesting on platforms like Facebook is a beneficial side effect of this competition for users.

²⁵ ‘smh.com.au Site Keywords,’ *Alexa*, available at: <https://www.alexa.com/pro/keywords/site/smh.com.au#smh.com.au>.

²⁶ Organic traffic suggests that The Sydney Morning Herald may benefit from searches into other product categories—for example— searches for ‘garuda Indonesia’, ‘youtube red’, ‘anz online banking’ ‘pasta source’ and ‘ebay’ all led users to navigate to The Sydney Morning Herald website.

Other types of referrals from social media platforms are also side effects of the competition for users and advertisers. For instance, the Commonwealth Bank of Australia elects to have a page on Facebook and has 750,000 followers. Given its following on Facebook, it is possible that some share of the bank's web traffic originates from Facebook via posts such as in Figure 1. However, even though Facebook may be an important channel for Commonwealth Bank to reach Australian consumers, this does not mean that there is a market for bank referrals in which Facebook competes. This ties back to the idea that while Facebook's platform might provide a mechanism that facilitates interactions between Commonwealth Bank and consumers, it is the actions these parties take to reach each other, such as a user's decision to follow the bank's page on Facebook or the bank's choice of content, that ultimately produce this referral.

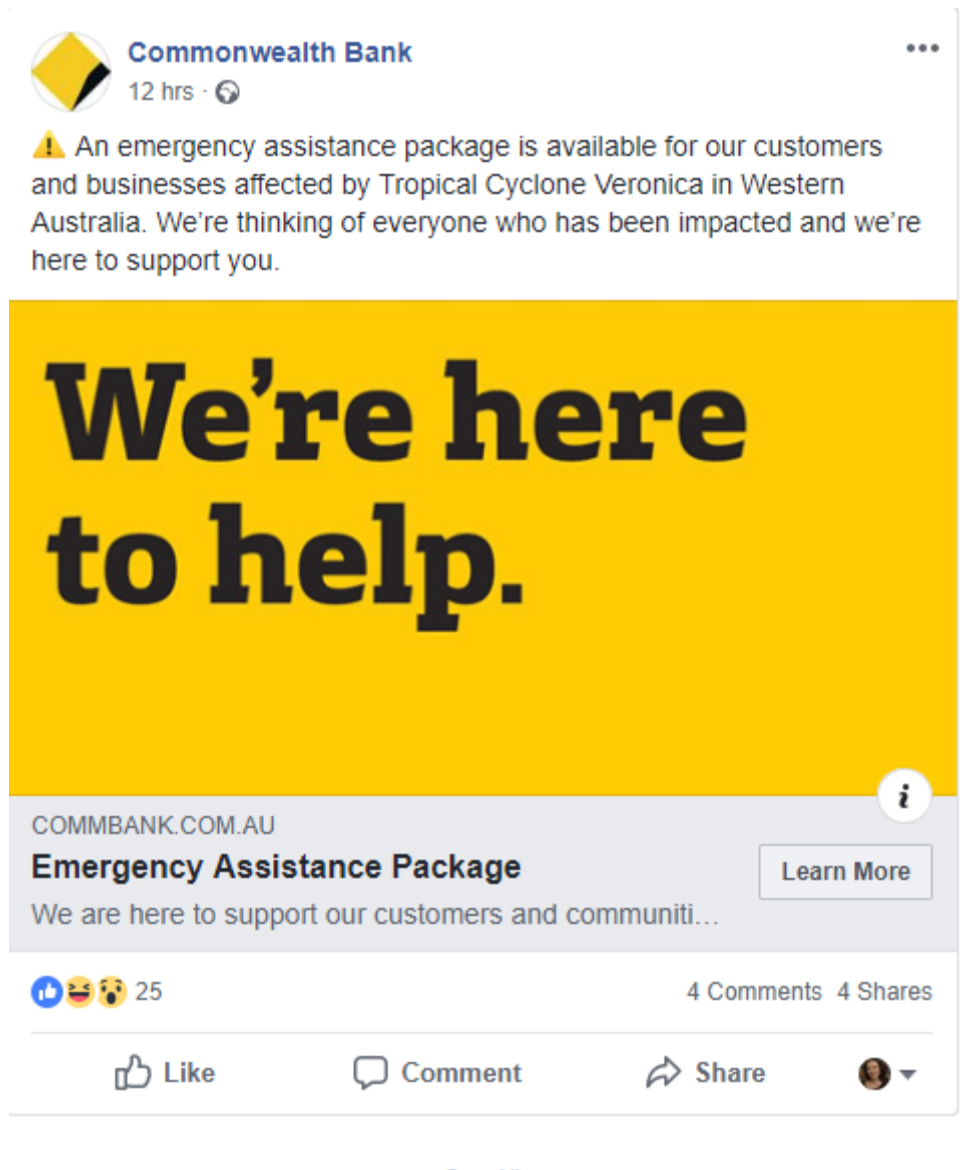


Figure 1: Commonwealth Bank of Australia Facebook Post

Furthermore, even if a company does not have a Facebook presence, it can still benefit from referrals from Facebook. For instance, Epic Games' popular video game 'Fortnite' is shared on Facebook by numerous gamer profiles and pages that show gameplay, regardless of whether Epic Games has a Facebook page. However, even if Facebook were an important channel for Epic Games to attract new gamers, this does not mean that there would be a market for video game referrals in which Facebook competes. Facebook has provided a platform for this interaction to

occur; it is the actions of the content provider who controls a game's appeal and the user's inclination to view and share videos of gameplay that ultimately produce this referral.

2.6 How significant is traffic from Facebook?

Even if one treats the variety of interactions between users and news media websites as a singular combined source of news traffic, Facebook's share of traffic to news media websites is modest. Table 1 provides data from SimilarWeb on the most popular online news media websites in Australia based on a Roy Morgan study.²⁷ This data is used by the ACCC to establish what the upstream sources of desktop traffic were for a selection of large Australian news media websites.²⁸ It suggests that direct navigation to news media websites is by far the largest source of traffic. Paid ads on search engines or display ads tend to be insignificant and less than one percent in terms of traffic. This suggests that unlike many other web properties such as car insurance websites, Australian news media websites do not rely extensively on online advertising to attract viewers.

There is little evidence that Facebook controls an amount of traffic that could give it market power, if such a market existed. Of all traffic to these news media websites, 31.1% derives from organic search, and 12.7% derives from social media. However, there are wide disparities in the importance of social media, meaning that the median proportion of traffic is closer to 11.3%. Referral traffic, which represents 6.1% of all traffic, reflects instances where a user arrives to the news media website after being redirected from another site. Facebook's role in providing traffic to Australian news media websites is limited and varies considerably by publisher, ranging from 2.2% of traffic up to 27.1%. On average, traffic from Facebook is only 8.7% of all web traffic to these publishers.

²⁷ According to Roy Morgan, the list contains Australia's top 20 news websites based on visitation in an average four weeks based on 12 months of data. The ACCC refers to the Roy Morgan findings in Table 6.2 of the Preliminary Report. See 'It's official: Most Australians now visit news or newspaper websites,' *Roy Morgan*, 24 May 2018, available at: <http://www.roymorgan.com/findings/7595-top-20-news-websites-march-2018-201805240521>.

²⁸ Given the ACCC's focus on desktop traffic in its Preliminary Report, I also limit my analysis to desktop traffic, though trends may differ on mobile.

Table 1: Data on Desktop Traffic Sources for Top 20 Australian News Media Websites

News Provider	Direct	Email	Referrals	Social Media			Organic Search	Paid Search	Display Ads
				All	Facebook	Other			
News.com.au	48.0%	0.6%	5.4%	5.7%	3.2%	2.5%	39.8%	0.2%	0.4%
Sydney Morning Herald	50.7%	0.5%	2.8%	10.5%	6.7%	3.8%	35.2%	0.2%	0.1%
ABC News (Australia)	51.9%	0.6%	1.8%	11.5%	7.4%	4.0%	33.9%	0.3%	0.1%
Daily Mail	46.8%	3.1%	6.3%	12.7%	5.8%	6.9%	31.0%	0.0%	0.1%
Daily Telegraph	43.2%	1.3%	4.2%	13.4%	10.4%	2.9%	37.8%	0.0%	0.1%
The Age	70.7%	0.5%	2.2%	8.5%	5.5%	3.0%	18.1%	0.1%	0.1%
MSN	69.0%	15.0%	1.5%	3.9%	2.2%	1.8%	10.4%	0.0%	0.2%
The Guardian	40.4%	1.3%	4.2%	11.9%	5.7%	6.2%	42.1%	0.0%	0.1%
BBC	41.4%	2.0%	14.3%	11.2%	6.0%	5.2%	31.1%	0.0%	0.1%
Herald Sun	54.4%	1.2%	3.1%	8.1%	5.7%	2.3%	33.3%	0.0%	0.1%
Nine News	60.5%	2.1%	10.7%	5.4%	3.2%	2.2%	21.2%	0.0%	0.0%
The Australian	55.6%	1.0%	2.4%	8.1%	6.8%	1.3%	32.8%	0.0%	0.0%
Buzzfeed	39.5%	1.5%	4.2%	30.0%	18.5%	11.5%	24.2%	0.0%	0.6%
Courier Mail	45.7%	0.8%	4.6%	22.1%	20.3%	1.8%	26.9%	0.0%	0.1%
Financial Review	46.5%	1.3%	2.1%	7.8%	3.1%	4.7%	41.9%	0.2%	0.2%
Yahoo!7 News	23.5%	0.4%	29.9%	29.5%	27.1%	2.5%	15.9%	0.3%	0.5%
Huffington Post (Australia)	17.5%	0.2%	5.2%	13.8%	7.5%	6.4%	63.1%	0.0%	0.1%
The Advertiser	46.0%	0.4%	12.8%	11.8%	10.5%	1.3%	29.0%	0.0%	0.1%
The New Daily	69.6%	2.1%	1.4%	6.3%	3.3%	3.0%	20.6%	0.0%	0.0%
The West Australian	40.4%	0.6%	2.3%	21.6%	15.0%	6.6%	34.9%	0.0%	0.2%

Source: SimilarWeb Public Data (January 2019).

2.7 Instant Articles illustrate Facebook’s lack of heft with news publishers

As described in the Preliminary Report, Facebook launched a new technology named ‘Instant Articles.’ An Instant Article allows the consumer to stay on Facebook to read an article in a faster-loading and more streamlined format while also allowing the news publisher to collect the ad revenue from the article.

Facebook Instant Articles allows news publishers to directly upload their content to Facebook. News publishers benefit by earning revenue from the ads sold through Facebook Instant Articles and because the technology presenting their content is faster and potentially more attractive to readers. Facebook benefits from these agreements because it is able to provide appealing content to its users and increase the likelihood that users will return to Facebook.

Having said that, the experience of Instant Articles has proven that Facebook’s position as a social media platform does not give it any particular advantage as a news intermediary. Early users such as The Guardian have abandoned the service, as have other news publishers.²⁹ If Facebook could indeed coerce news publishers to accept its terms for so-called ‘referral services,’ one would have expected the product to have more take-up; for Facebook not to have struggled to launch this product successfully; and for news publishers not to have demanded, or been granted, the number of concessions Facebook has made in order for publishers to adopt this service. Though this report is focused on Facebook, Google has also faced pushback over the AMP standard, and is relinquishing control of the standard to try and encourage adoption.³⁰

²⁹ Davies, Jessica, ‘The Guardian Pulls Out of Facebook’s Instant Articles and Apple News,’ *Digiday*, 21 April 2017, available at: <https://digiday.com/media/guardian-pulls-facebooks-instant-articles-apple-news/>; Moses, Lucia, ‘Some Publishers Appear to Be Cooling on Facebook Instant Articles,’ *Digiday*, 30 September 2016, available at: <https://digiday.com/media/publishers-appear-cooling-facebook-instant-articles/>.

³⁰ Bohn, Dieter, ‘Google Is Giving Up Some Control of the AMP Format,’ *The Verge*, 18 September 2018, available at: <https://www.theverge.com/2018/9/18/17871666/google-amp-open-source-committee-governance-instant-article>.

3 What Role Do Social Media Platforms Play in News Consumption?

The tools that platforms like Facebook have developed to enhance their own user experience often have the effect of expanding the market for news consumption online. Importantly, the expansionary effect of social media is not dictated by Facebook, but by users connecting with news media websites as a consequence of strategies news publishers employ to expand paid, owned, and earned reach. As such, many processes that are being characterised in the Preliminary Report as part of a ‘news referral market’ are more accurately thought of as tools that expand markets for news, rather than as sources of market power.

The ACCC recognises one aspect of the market expansionary impact of social media for news when the ACCC refers to news consumption on Facebook as ‘incidental’:

The pursuit of greater audience reach has also been affected by the incidental nature of news consumption on social media platforms. That is, while many Australians make use of digital platforms with the intention of accessing news, many use social media platforms for non-news purposes, but are exposed to news and journalistic content incidentally.³¹

Facebook is a platform that facilitates interactions between users and news media websites. Given that posts relating to news on social media come from individuals or pages maintained by news publishers, it is not clear how, theoretically, these parties could be stopped from sharing news links on social media. Therefore, the thought experiment proposed by the ACCC that ‘If a media company chose not to receive referrals from Facebook, [...]’³² does not seem plausible, as individuals and publishers on Facebook are generally free to post content that they find interesting or believe others will find interesting.

News publishers can and do decide whether to maintain their own Facebook presence as such: ‘<https://www.facebook.com/sydneymorningherald/>’. In general, the marketing literature

³¹ ACCC Preliminary Report, p. 276.

³² ACCC Preliminary Report, p. 63.

emphasises that such efforts generally have a market expansion effect and should be thought of as customer acquisition tools.³³

News publishers can also make choices regarding the extent to which they try to monetise the attention generated by social media sites. For example, news media websites can use a paywall to either meter the number of ‘free’ articles a person can reach from a website like Facebook, or require payment immediately. If a Facebook user who is directed to a news media website decides to buy a subscription, Facebook has provided this news media website a platform to expand its subscription base.

In summary, social media platforms provide a medium for users to exchange content (including news) with their peers. Moreover, as a consequence of delivering users content of interest in an effort to keep users engaged, the growth of these platforms has led to the expansion of online news consumption. On the publisher side, social media platforms have enabled news media websites to reach their existing audience in new ways, add new users to their audience, and monetise this expanded user attention on their own platforms.

4 The Pace of Innovation in Content Discovery

I conclude by noting the means by which consumers find news articles is extremely fluid and subject to rapid changes in technology. In 2010, there were severe fears about the challenge that news aggregators started by Google and Yahoo! to news media websites.³⁴ However, by 2018, the ACCC estimated that the unique Australian audience of Google News totalled just 0.6 million.³⁵

The same ACCC analysis also highlights other emerging players, especially news mobile apps. This echoes recent analysis presented at ONA 2018, which suggests that ‘social is no longer the

³³ Mochon, D., Johnson, K., Schwartz, J., & Ariely, D., ‘What Are Likes Worth? A Facebook Page Field Experiment,’ *Journal of Marketing Research*, Vol. 54, No. 2, pp. 306-317.

³⁴ Kaplan, David, ‘OnMedia: Mark Cuban: Google, Content Aggregators Are Vampires; Newspapers are Zombies,’ *GigaOm*, 2 February 2010, available at: <https://gigaom.com/2010/02/02/419-onmedia-mark-cuban-google-content-aggregators-are-vampires-newspapers/>.

³⁵ ACCC Preliminary Report, p. 24.

main way that mobile readers read.’³⁶ The ACCC estimates that in August 2018 the unique Australian audience of Apple News totalled five million.³⁷ Apple continues to innovate its News app and is offering a new subscription named Apple News Plus in 2019.³⁸ This new service offers curation, access to over 300 publications such as the Wall Street Journal, and privacy safeguards.

A natural question in the face of new innovation is how likely is it that users switch the manner in which they consume content. There is some evidence about this from data analysis of an occasion when Facebook itself experienced an outage in 2018.³⁹ Without Facebook to occupy their attention, users appeared to switch to directly browse other websites (and in particular news publishers’ apps) instantaneously. This contrasts with an earlier study focused on a Facebook outage in 2013, which found that though users browsed a news media website more deeply during a Facebook outage, there was a decline in direct navigation to that news media website.⁴⁰ One interpretation of the contrasting findings is that the more recent mobile environment encourages more fluidity in how users distribute their attention.

As both mobile technology, smart technology, and the ways we interact with information evolve, I expect that many new services that help customers identify news content that interests them will also evolve.

³⁶ Schwartz, Josh, ‘Global State of Reader Engagement,’ *ONA*, 13 September 2018, available at: <https://ona18.journalists.org/sessions/global-state-reader-engagement-chartbeat-josh-schwartz/#livestream>.

³⁷ ACCC Preliminary Report, p. 24.

³⁸ Savov, Vlad, ‘Apple Launches \$9.99 Apple News Plus With More Than 300 Magazines,’ *The Verge*, 25 March 2019, available at: <https://www.theverge.com/2019/3/25/18277103/apple-news-subscription-service-launch-price-release-date-event-2019>.

³⁹ Schwartz, Josh, ‘What Happens When Facebook Goes Down? People Read The News,’ *Chartbeat*, 19 October 2018, available at: <http://blog.chartbeat.com/2018/10/19/facebook-outage-reader-trends/>.

⁴⁰ Sismeiro, Catarina, and Ammara Mahmood, ‘Competitive vs. Complementary Effects in Online Social Networks and News Consumption: A Natural Experiment,’ *Management Science*, Vol. 64 No.11, 2018, pp. 5014-5037. The specific newspaper they study is described as ‘less well-known,’ so it may not be representative of better-known and more famous websites.