

## Submission to the Digital Platforms Inquiry

News & Media Research Centre

11 April, 2018

### Background

The News and Media Research Centre (N&MRC) at the University of Canberra (<http://www.canberra.edu.au/nmrc>) investigates the evolution of media, content and communication and the impact of online and mobile systems on the way citizens consume information.

Since 2015, the Centre has published the *Digital News Report: Australia*, a national annual online survey of more than 2,000 adult Australians which monitors changes in news consumption over time, particularly within the digital space. The Australian survey forms part of a global study of 36 news markets by the Reuters Institute for the Study of Journalism at the University of Oxford.

The Digital News Report: Australia 2017 can be downloaded via [canberra.edu.au/nmrc](http://canberra.edu.au/nmrc)

This submission is based on data from the 2015, 2016 and 2017 surveys. Data from the 2018 survey will be made public on June 14<sup>th</sup>, 2018. On that date we will provide the Inquiry with a revised version of this submission that includes the latest 2018 data.

In addition to in-depth knowledge of Australia's news consumption habits, the N&MRC's Digital News+ Lab (<https://digitalnewspluslab.wordpress.com/>) researches digital innovations in news media.

While this Inquiry is examining the impact of digital platforms on news, journalistic content, and advertising, the data analysis in this submission is primarily focussed on changing patterns in Australians' news consumption. However, it also includes expert commentary from N&MRC members in the areas of advertising, journalism, communication and media.

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The submission authors are happy to provide further information to ACCC if desired.

## Responses to selected *Terms of Reference* and the related questions raised in the Issues Paper

### **i. The extent to which platform service providers are exercising market power in commercial arrangements with the creators of journalistic content and advertisers (Related to questions 1.1,1.2,3.3,3.4,3.18,3.19,3.26,3.27)**

Over the past decade platform service providers have begun to exercise increasing market power in commercial arrangements with the creators of journalistic content. This has occurred in response to the shift in advertising expenditure away from newspapers and other traditional news media to online and digital platforms. While we are not providing specific data on this commercial shift, below we provide an overview of changes in news consumer behaviour that influence the decision making of news creators and advertisers.

#### Increase in digital news access

The biggest change that has occurred in the last decade is the dramatic rise in news access, particularly through digital platforms. An increased reliance on these digital platforms has driven a significant change in the way people consume news. There are four major shifts that have occurred in news consumption: i. The shift from traditional to digital platforms; ii. Increase in social media news consumption; iii. Rise in mobile news consumption; and iv. Growth in smart technologies.

##### *i. Shift from traditional to digital platforms*

In recent years, there has been a shift towards digital platforms. According to the *Digital News Report Australia 2017* data, 78% of Australian news consumers accessed news via traditional platforms and 74% consumed online news. About 56% of Australian news consumers mainly access news via traditional platforms (newspaper, TV, radio, magazines) and 45% mainly access news online.

News consumers who use news aggregators to access news are still a small proportion, but this is rapidly growing as more people are habitually consuming news on smartphones. Google News and Apples news are the largest players in the Australian market to date (Table 1).

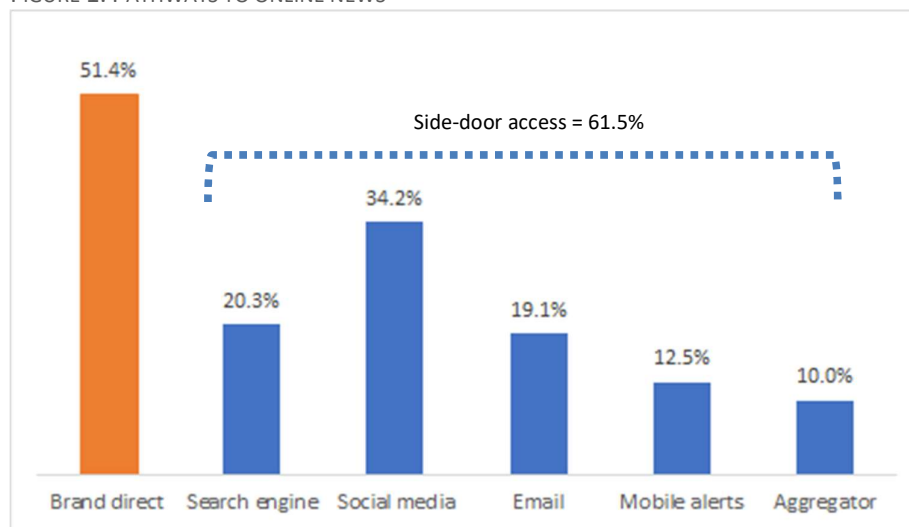
When online, most news consumers access news through side-door channels (61.5%), more so than visiting brand websites or apps directly (51.4%) (Figure 1). Side-door channels refer to methods of accessing news through social media, aggregators, search engines, email and mobile notifications. This has a significant impact on the type of news that is delivered to consumers.

Algorithms that are designed to identify target consumers that advertisers want to reach, influence the content consumers are exposed to. It is often the case that the consumer is not aware of this potential bias.

TABLE 1. NEWS AGGREGATORS FOR NEWS

SERVICE	2016	2017
Google News	10.2%	11.3%
Apple News	4.1%	8.8%
Google Play Newsstand	3.4%	5.9%
Telstra Media	3.7%	5.8%
Twitter Moments	2.7%	5.4%
Reddit	3.4%	5.0%
Snapchat Discover	1.9%	4.8%
Flipboard	4.4%	4.3%
Upday	-	3.9%
SmartNews	2.1%	3.8%

FIGURE 1. PATHWAYS TO ONLINE NEWS



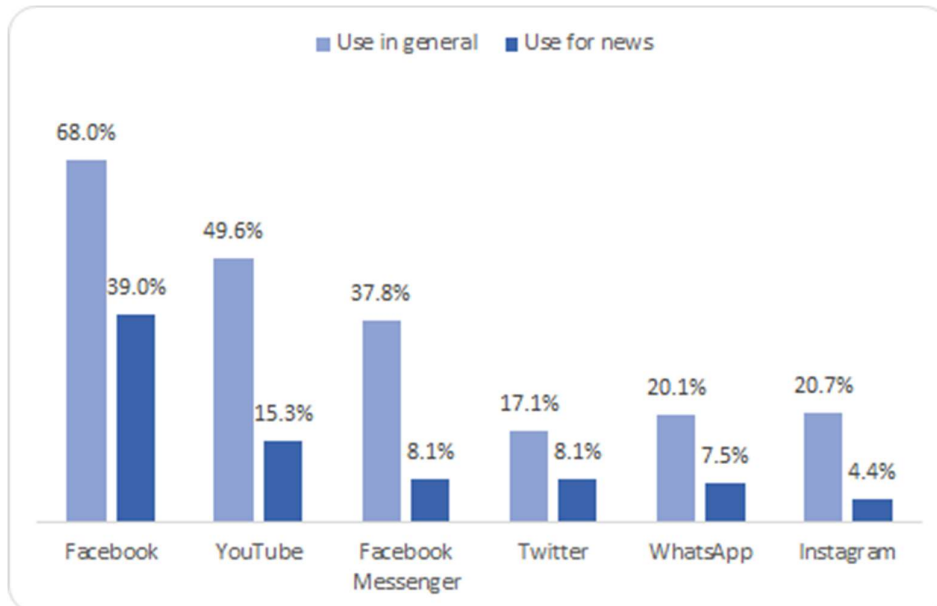
Survey question: Which of these was the main way in which you came across news in the last week?

*ii. Social media news consumption*

Among the side-door channels, social media platforms are the most popular way of accessing news. More than half of online news consumers in 35 out of 36 countries that are a part of the *Reuters Institute Digital News Report 2017* access news online; and consumers in 26 countries use social media platforms, such as Facebook and Twitter to access news. Globally, 12% of news consumers say their main source of news is social media; while in Australia it is higher than the global average, with 16% using social media as the main source of news.

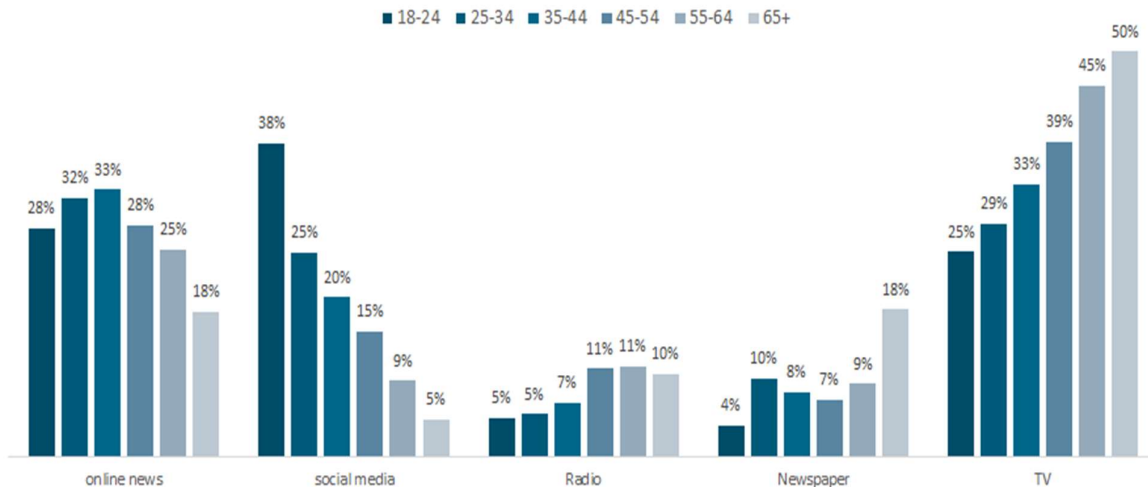
Social media are used for many purposes including socialising, friendship, communication, entertainment and news consumption. It is becoming a main method of accessing news, especially among younger news consumers (Figure 2 and 3). Social media are characterised by network effects where the value of a network is determined by the number of people connected. Instead of using multiple platforms, consumers prefer to stay with their chosen social media. Our data shows that news consumers usually have one preferred social media platform to access news; 39% of news consumers use Facebook to access news, but only 5% use both Facebook and YouTube for news, and only 2.1% use both Twitter and Facebook for news.

FIGURE 2. TOP FIVE SOCIAL MEDIA FOR NEWS



*Survey questions: [Use in general] Which, if any, of the following have you used for finding, reading, watching, sharing or discussing news in the last week? Please select all that apply; [Use for news] Which, if any, of the following have you used for finding, reading, watching, sharing or discussing news in the last week? Please select all that apply.*

FIGURE 3. MAIN SOURCE OF NEWS BY AGE



*iii. Mobile news consumption*

The third shift is the growth of mobile news consumption. About half of Australians regularly use their smartphones to access news and more than one-third say it's their main method of accessing news. Due to its flexibility, portability and ubiquity, those who access news mainly through mobile phones consume news more frequently than the general population; 18% of mobile phone news users access news more than 5 times a day compared to 16% among general news consumers. Younger demographics are also more likely to use smartphones to access news; 57% of 18-24 year-olds and 52% of 25-34 year-olds mainly use smartphones to access news.

*iv. Smart technologies*

The fourth shift is occurring in the variety of ways in which people interact with technology. Increasingly news consumers prefer to share content not on open platforms but within messaging apps such as WhatsApp, Snapchat and Facebook Messenger where they have more control over who they share information with. Consumers are starting to converse with bots that automatically publish updates on social media. Advanced voice systems and digital assistants are providing wider access to news such as Amazon's Alexa, Apple's Siri, Microsoft's Cortana, Samsung's Viv and Google Home, and consumers are rapidly embracing these technologies.

TABLE 2. DEVICE FOR ACCESSING NEWS

<b>DEVICE</b>	<b>2016</b>	<b>2017</b>
<b>Smartphone made by Apple</b>	24.5%	23.9%
<b>Smartphone by another manufacturer</b>	28.1%	26.9%
<b>Other internet connected phone</b>	1.3%	1.9%
<b>Laptop or desktop computer</b>	59.9%	53.2%
<b>Tablet Computer made by Apple</b>	18.7%	17.3%
<b>Other tablet computer</b>	8.3%	8.3%
<b>Ebook reader</b>	0.9%	2.7%
<b>Connected TV (a TV that connects to internet via set top box, games console, other box such as Apple TV etc.)</b>	4.8%	5.4%
<b>Smart TV (TV that connects to the internet directly without the need for any other box)</b>	5.6%	8.0%
<b>Smart watch or wristband that connects to the internet</b>	0.6%	2.0%
<b>Voice activated connected speaker (e.g. Amazon Echo, Google Home)</b>	-	0.9%

*Survey question: Which, if any, of the following devices have you used to access news in the last week? Please select all that apply*

Compared to the pre-digital era, digital news consumers are accessing news in a variety of ways through different platforms, devices, services and brands, and the methods of accessing news will continue to expand. We suggest that the Inquiry should include all digital platforms, devices, services and brands that can potentially provide news to consumers. Our longitudinal analysis of digital news consumers indicate that, while still a small number, people are accessing news via smartwatches (2.0%) and voice activated speakers (0.9%) and the figures are on the rise (Table 2). In addition to the 26 offline and 27 online news brands that news consumers were asked if they had accessed them in the past week, 9.2% and 6.5% of consumers replied that they had accessed 'other' brands that were not listed, implying that there is a wider array of brands that consumers are getting news from.

## Measuring the audience

The news media industry has had a tumultuous number of decades. Both internal and external forces have affected the interlocking professional fields of journalism, publishing, advertising and marketing. 'Audience as commodity' in traditional media markets has now changed to 'audience as data' in the digital media environment, where audience data is now the source of analytics-based commercial intelligence. Our research<sup>1</sup> contends with the problem of how the industry describes changes to itself, with a key problem being the gradual development of a terminology that makes sense of the audience and professional media practice in terms of data metrics and analytics. The term 'metrics' is derived from the new, emergent composition of the market, and a discourse that belongs to the digital mediators of audience value.

News companies have failed to address and adapt to this shift in the audience market. This is evidenced by the furious activity in generating new measures of audience behaviour and the commercial imperatives of selling media audiences as commodities to advertisers. Previously media companies estimated the relative size and composition of the audience that were extrapolated from a sample, which gave extraordinary power to mediating agents, such as market research companies and advertising agencies. The advent of direct measure of audience behaviour through analytics-based technologies has weakened the mediating agents' power. Similarly, those who provide the content such as news companies are realising they no longer have control over how their audiences are defined in terms of the value proposition for advertisers. Digital platforms-- Facebook, Google, and others -- have disrupted the market through providing an alternative market to advertisers that offers greater value, and news companies have only just started to react.

## Impact of information abundance and disinformation

The internet has given publishers the opportunity to publish at a low cost and lowered the barrier to entry into the media market. As a consequence, we now live in an abundance of information with no systematic mechanism of filtering facts from fiction. We commonly encounter viral spread of fake news and misinformation, which is lowering the overall trust level in online information and news. News consumers often rely on digital platforms to filter irrelevant news. However, recent events caution us against expecting digital platforms to perform a journalistic role.

Ex-Cambridge Analytica employee, Christopher Wylie, provided evidence to the UK Parliament that broadly outlined the way fake news has been used as a tool of disinformation.<sup>2</sup> Fake news isn't just about overtly discrediting public figures or spreading falsities about newsworthy events. It has a significant consequence of reducing the general public's overall trust in news. An entire social milieu is produced predicated on the belief that the mainstream news media are not covering a range of topics that are in circulation elsewhere. A public sphere is created that inverts the sense of editorial judgement through which journalistic media once derived their authority: the selectivity of editorial judgement, which was once a positive attribute, is now evidence of a conspiracy to not represent and report on a range of events. Part of the problem is the way attention itself has become a commodity, and a continual stream of fake news exhausts the

capacity of an audience to develop more critical news literacies. Not only is there a lack of trust in news media companies, but audience fatigue leads to disengagement with news and the public sphere. This is evidenced by the high news avoidance practices; 56% of Australian news consumers admit to having avoided news.

The choice presented to news consumers has certainly increased. In addition to traditional platforms, news consumers have access to online news brands, social media, search engines, aggregators, and many of them via multiple devices. Alternative voices are increasingly publishing information online and the access to information has become global in nature). However, as the data above highlights news consumers are relying heavily on digital platforms to reach these news publishers.

Market influence and power in media markets cannot be solely measured with financial indicators. There are political, social and cultural impacts of news that must be considered as well. A multi-dimensional assessment of market power that encompasses financial performance, political and social influence, and consumer attitudes and perceptions is needed to fully understand the power dynamics in the news market.

## **ii. The impact of platform service providers on the level of choice and quality of news and journalistic content to consumers (Related to questions 1.3,1.4,1.5,3.24)**

### **What is 'news'?**

Before assessing the choice and quality of news, first we need to agree upon what we mean by 'news and journalistic content'. Through the normative lens of traditional journalism, the answer to the question 'what is news?' appears simple: News is information about events that is produced by the news media. However, from the perspective of the audience, that question is increasingly hard to answer. In a 'high choice' media environment<sup>3</sup>, 'news' might mean traditional reportage or it could refer to something that is 'news to me'.<sup>4</sup> The latter might include Facebook posts from friends and family on a user's News Feed; information from an advocacy group; the latest basketball score; or celebrity news. As Facebook's Vice President of Product, Adam Mosseri explained, 'News Feed' provides a broad range of informative content in which traditional news reportage "is a critical piece., but it is not the only critical piece".<sup>5</sup> This diverse range of informative content is being produced by a growing variety of content producers or 'primary gatekeepers' who now rival the role of journalists in their ability to publish directly to citizens.

Much of this new information content mimics journalistic style but is written by non-independent organisations and individuals that do not adhere to professional codes of ethics or editorial standards. These include politicians and partisan organisations who communicate directly to citizens, brand journalism, sponsored content and advertorials. The diversity of informative content creates a complex environment for accurately defining contemporary perception of 'news and journalistic content', particularly through the eyes of the consumer. It is important to keep



this in mind in reflecting on the information environment for contemporary news consumers and the difficulty in discerning what is traditional news reporting and what is not.

For the purposes of this Inquiry, we believe the Inquiry should consider as broad a range of specialist suppliers of 'news and journalistic content' as possible to cover the variety of news most commonly consumed by Australians. *Digital News Report Australia* tracks the following categories: international news, political news, news about my region/city/town, business and economic news, entertainment and celebrity news, lifestyle news (e.g. food, fashion, travel, cooking, wellness), health and education news, arts and culture news, sports news, science and technology news, news about crime/justice/security, and weird news (e.g. funny, bizarre, quirky). Furthermore, Australian news consumers are accessing global news sites on a regular basis and are considered as significant sources of news.

### Defining news quality

Ensuring choice and quality of news is critical to democratic societies. However, there is no single agreed definition of what constitutes 'quality' news. In their definition of news, the American Press Institute emphasises that "foremost value of news is as a utility to empower the informed. The purpose of journalism is thus to provide citizens with the information they need to make the best possible decisions about their lives, their communities, their societies, and their governments".<sup>6</sup>

This definition of news provides a good frame to conceptualise choice and quality of news. The quality of news can be estimated by the journalistic elements that are prioritised and valued when producing news stories: accuracy (verification), fairness (not biased), forum for varied viewpoints, relevance, watchdog function, ethics, and comprehensiveness (depth)<sup>7</sup>. Certain elements such as transparency in reporting can be directly measured by analysing the content, such as checking if the practice of linking to primary sources was used. Another way to gauge quality is to use indirect indicators that are reflected in news consumers' behaviour and attitude; brand reputation and trust, for example.

### Consumer perceptions of news quality

Consumers are overwhelmed by the sheer volume of information they encounter and are concerned about the overall decline in the quality. Digital news consumers are not satisfied – trust level in news is low, the majority of people avoid news, and there is very little diversity in consumption. The issue for news consumers' choice is: do the digital platforms have a fair and balanced system of suggesting and linking news to consumers? Algorithms are mainly based on matching the advertiser to the consumer. They are designed to fulfill a certain goal, not completely transparent, and are very complex. It is almost impossible to gauge the overall quality of the news environment that consumers are situated in. The best estimate we have so far is an extrapolation from consumers' experience.

### Trust

The overall trust in news media is low among news consumers and digital platforms are contributing to the decline in trust. Less than half of Australian news consumers say they trust news (42%). Trust is slightly higher for news they consume (48%). However, trust levels in news accessed via search engines or social media are significantly lower. Those who directly access brands have higher trust in general as well as higher trust in the news they consume (Figure 4). Distrust in news is higher among news consumers who access news mainly via digital platforms, compared to those who access news on traditional media (Figure 5). News consumers heavily rely on news providers for factual and relevant information. Among news consumers 40% think that news media help them differentiate fact from fiction, whereas only 27% think that social media does a good job.

FIGURE 4. TRUST BY METHOD OF ACCESSING NEWS

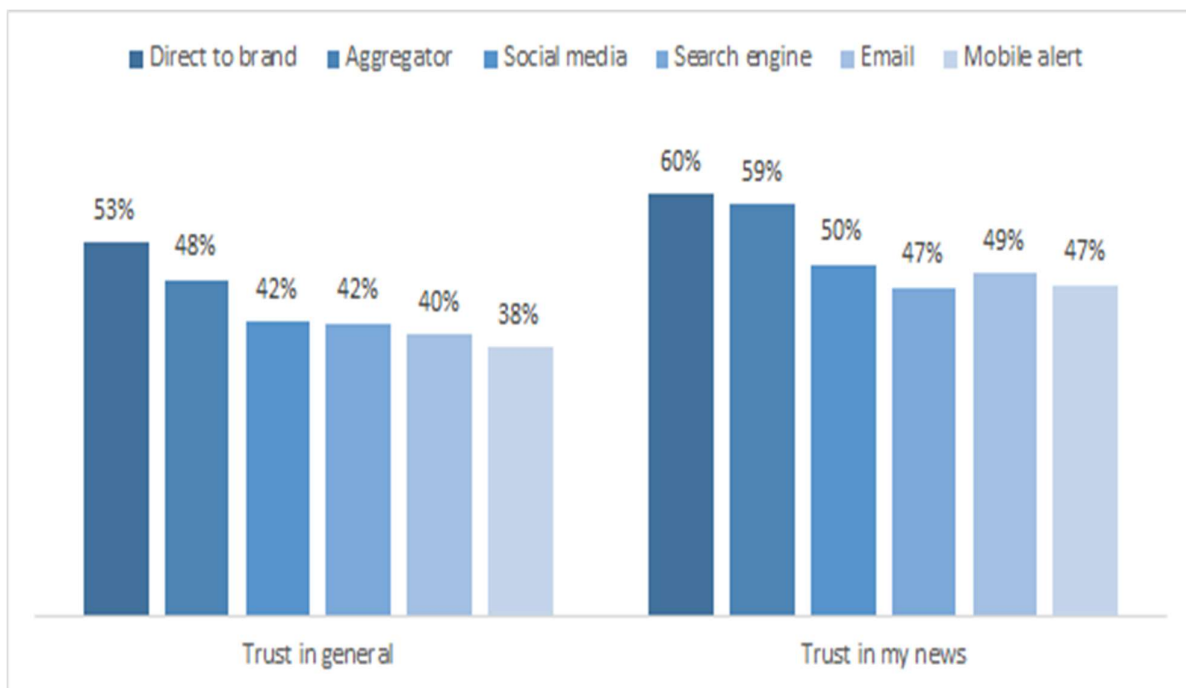
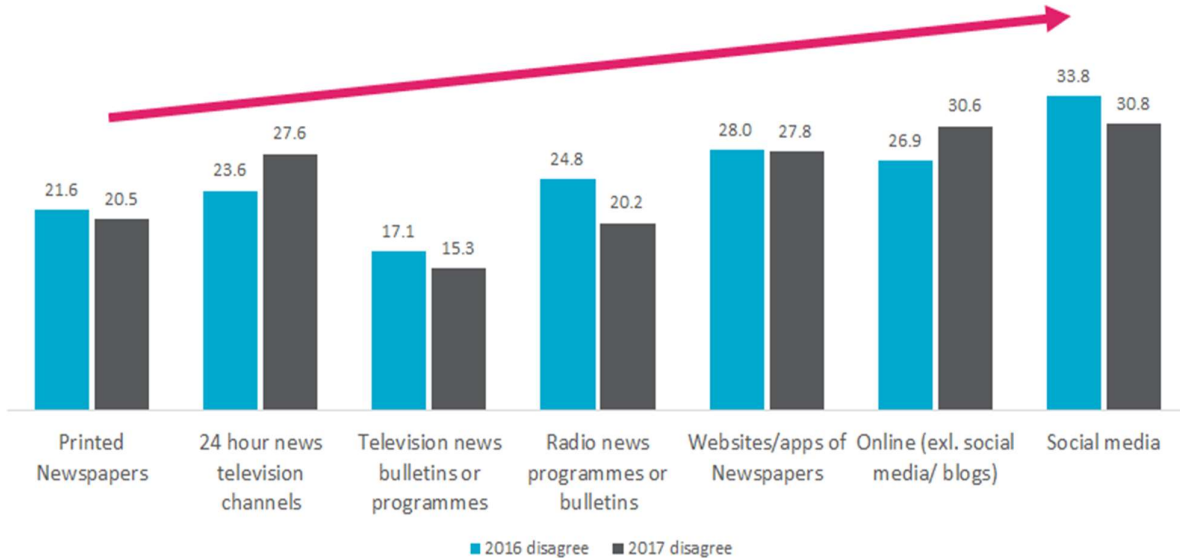


FIGURE 5. DISTRUST LEVEL BY MAIN SOURCE OF NEWS



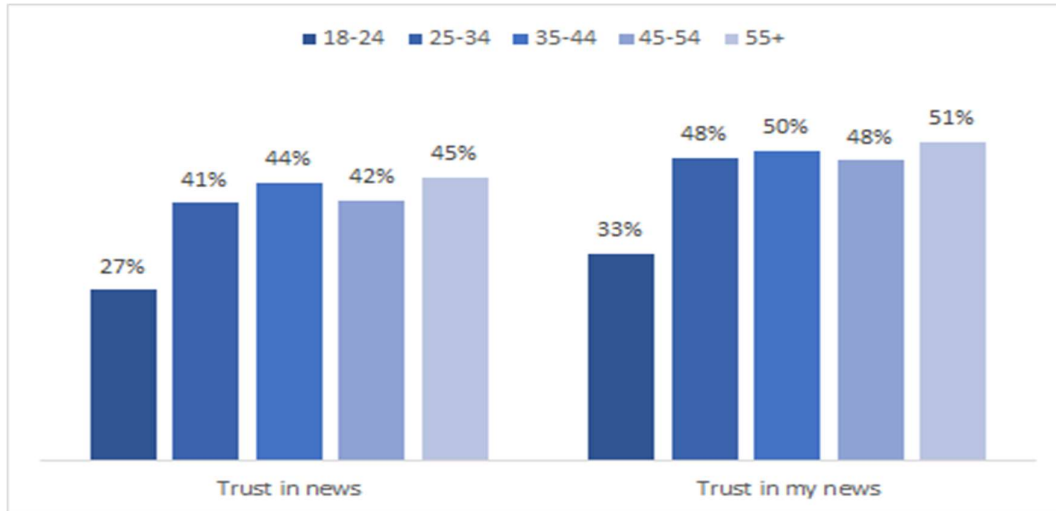
Trust is also related to the number of sources that news consumers access; the more sources they access regularly, the higher their trust in news (Table 4).

TABLE 4. TRUST RELATED TO THE NUMBER OF OFFLINE AND ONLINE BRANDS

	TRUST IN GENERAL		TRUST IN MY NEWS	
	Access one brand	Access 3 or more brands	Access one brand	Access 3 or more brands
<b>Offline brands</b>	32.1%	48.7%	39.0%	54.0%
<b>Online brands</b>	38.6%	45.0%	44.7%	52.9%

The levels of trust in news in general and in news that they consume are lower among young people. Young people are skeptical of news more so than older generations. They consume news mainly via social media and on mobile devices. Given that these platforms are spreading to older generations, the overall trust in news is expected to decline over time (Figure 6).

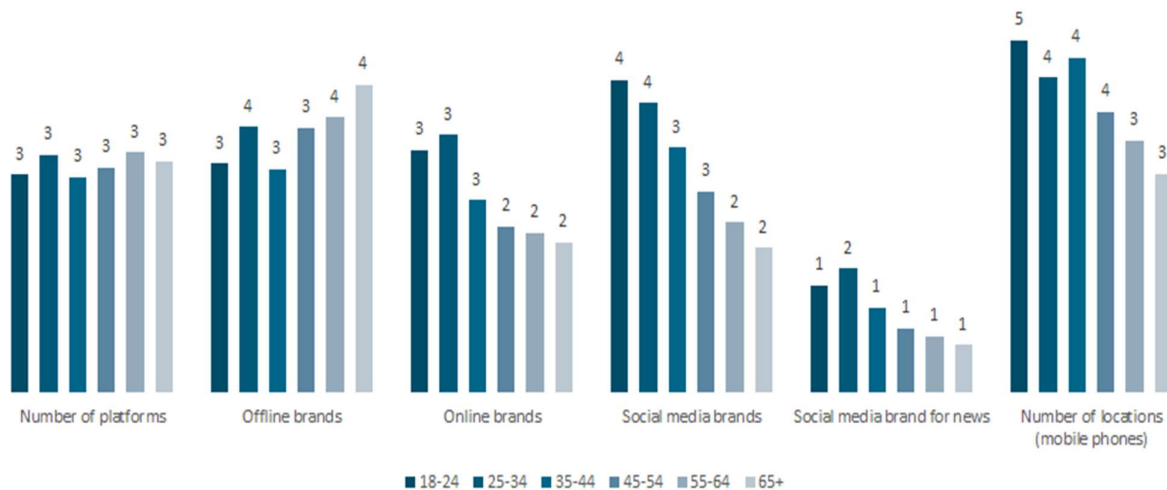
FIGURE 6. TRUST BY AGE GROUPS



### Diversity in news consumption

The average number of brands people access regularly is considerably low (Figure 7). Most people consume one or two news brands for news. Younger people consumption of digital platforms and brands is more diverse than older generations. They also consume news in more locations. This also reflects the impact of mobile and social media on how people consume news.

FIGURE 7. DIVERSITY IN NEWS CONSUMPTION BY AGE



In terms of ensuring choice in news to consumers, we can say that the digital environment has certainly increased the volume of information available to news consumers. However, the vast information available online does not necessarily mean consumers have more choices. Digital platforms are not neutral in providing information to consumers. The algorithms present curated information that are by no means objective or balanced. Algorithms are designed to deliver information in a particular way that fulfils the needs of advertisers and consumer interests. And these algorithms are usually not known by the public, nor do platforms have a consistent logic.

Changes to the Facebook algorithm in January 2018 has had a discernible impact on the news and information content supplied to Australian consumers. As part of its response to tackling fake news, the CEO of Facebook, Mark Zuckerberg, announced it would be prioritizing content from ‘friends, family and groups’ that encourages conversation over the provision of information. As a result, consumers would see “less public content like posts from businesses, brands, and media. And the public content you see more will be held to the same standard—it should encourage meaningful interactions between people.” Facebook predicted that some pages would see a decrease in reach and traffic as a result. To make themselves less vulnerable to algorithm changes in the future, news organisations have been encouraging consumers to access stories directly via the news brand’s app and home page instead of via Facebook<sup>8</sup>.

### Impact of changes to the Australian news market on consumers

In the Australian news market, there have been significant changes to the channels of news, and the types of news and journalistic content accessed by Australian consumers over the past five to ten years. These changes are the result of a range of factors including: the arrival of new entrants and expansions; cuts, closures and mergers; new business models; and new formats. The examples below are not exhaustive but paint a picture of the breadth of changes that have had an impact on the news Australians are consuming.

*New entrants and expansions:* Over the past ten years several new online publications have launched in Australia increasing the diversity of voices. Those include: *The Conversation*, which launched in 2011, *Guardian Australia* (2013), the *Saturday Paper* (2014), the *Mail Online* (2014), *Buzzfeed* (2014), *Huffington Post Australia* (2015), and the *New York Times* (2017). In broadcasting, US media giant CBS bought the failed commercial Ten Network in 2017 which had gone into administration. There are hopes the company will invest in news and current affairs journalism which have been savagely cut over time. Along the eastern seaboard, Channel Nine has been rolling out 15 rival regional news bulletins in areas already serviced by WIN news, giving audiences greater choice in local TV news.

*Cuts, closures and mergers:* The loss of advertising revenue has seen large staff cuts and amalgamation of bureaux and sharing of content across Fairfax titles. This has led to a significant reduction in original local news and feature content in its capital city papers. In 2016, Fairfax media closed a range of local and regional newspapers in New South Wales, including the *Cooma-Monaro Express* and the *Summit Sun* and the *Queanbeyan Age* and *Chronicle* newspapers merged. This has led to a decrease in local news content in the Monaro region. In radio, diversity of

ownership also diminished when the Macquarie Radio Network merged with Fairfax Media and, News Corp purchased APN regional newspapers and the Australian News Channel, producer of Sky News in Australia and New Zealand. In 2017, the independent children's newspaper *Crinkling News* was forced to shut down after a failed crowdfunding campaign, and Bauer Media ceased production of three of its smaller magazine titles. *Rolling Stone* magazine also closed down. The Huffington Post Australia joint venture with Fairfax has also folded with the last Australian-based journalists leaving in early 2018.

The impact of recent changes to the Australian media ownership laws is yet to be determined. The changes involved scrapping the '75% reach rule' which prevented one organization from broadcasting to more than three quarters of the Australian population; and, removing the '2 out of 3 rule' which prohibited ownership of television, radio and newspapers by a single proprietor in one region. The reforms were welcomed by the media industry, but critics warn that concentration of ownership could shrink further and diminish the diversity of voices.

*New business models:* To offset the drop in advertising income, alternative payment models have been adopted by news organisation to fund their operations. Some, like the *Guardian Australia* have a growing subscriber base but the wider public have free access to their content. In contrast, News Corp. papers have adopted a hard paywall which restricts traffic to their sites and therefore limits the ability of the wider non-paying public to read their content. Fairfax publications have adopted a softer paywall, which stops access after a certain number of article views unless you subscribe.

*New news formats:* The ways stories are accessed and communicated has also significantly changed over the past ten years. News has become increasingly immediate, visually engaging, self-tailored and algorithm-driven. Rather than sift through the paper to find a story that is interesting, consumers now curate their news feeds by choosing the types of stories they like to read and avoiding the rest. This is reinforced by algorithms that select stories based on readers' previous choices and those of their social network. The combination of self-tailoring one's news diet and personalised algorithms has led to concerns about the rise of echo chambers that restrict exposure to a wider range of news and views.

Most online news is now multi-media which means a story is told using text, video, photo, infographic and audio elements. This can offer consumers a rich experience of an issue by hearing interviews, seeing events and reading the details on one platform. The ability of online media to accommodate multimedia presentations of information has therefore changed the way journalists construct those stories. For instance, on Twitter, journalists type real-time updates and post images of events as they unfold; or promote their stories with pithy headlines and a hyperlink. To accommodate Snapchat users, news organisations design specific stories that appeal to a younger demographic. During the last federal election, the ABC created behind the scenes stories, using vertical video, emoji and text in an attempt to engage younger people in the political campaign. The ability to broadcast live video via Facebook, Periscope and other platforms has seen an increase in live streaming by news organisations of major events, as well as by citizen journalists. The increasing use of mobile phones to consume news has also led to growing emphasis being

placed on visual content in stories, such as photographs, video, pull-out quotes and infographics to keep the reader engaged. Other popular forms of news to emerge on sites such as BuzzFeed include 'listicles' – which highlight the top key facts of a story; FAQs and backgrounder stories that provide context to current events. News consumers are also increasingly receiving news in brief notifications directly from news organisation and via messenger apps such as WhatsApp and Facebook Messenger. These headline notifications are designed to be consumed in small bites and on the run, but also offer depth when the consumer has time.

Big changes to the way broadcast news and current affairs is presented has occurred as well. In 2008 The ABC introduced the audience interactive Q&A programme which allowed the audience to ask questions, breaking away from traditional current affairs programming. The following year, Network Ten began its popular panel show The Project which uses comedy, discussion and interviews to cover news and current affairs. Other alternative and niche new programs have also emerged on SBS and the ABC catering to specific cultural and age groups.

All of these changes in the Australian news market over the past ten years, from closures and mergers to innovation in news programming, have all had an impact on the types of new Australians are consuming. The choice in news seems to have increased and smaller niche markets are being served. However, as our data in trust shows, news consumer experience in the overall quality of news is low, especially for online and social media news users. Furthermore, the gatekeeping function of traditional news media cannot be applied to all information providers in the digital environment, leaving a gap in trust for consumers uncertain of where they can turn for quality assurance.

### **iii. The impact of platform service providers on media and advertising markets (Related to questions 3.13,3.14,3.24,3.36)**

Platform service providers are having a significant impact on media and advertising markets due to the ability to track audiences' behaviour and use the accumulated data for targeted advertising. Advertising on digital platforms is becoming more sophisticated than ever before. Unlike traditional forms of advertising used in news media that were targeted to an estimate of audience segments, digital advertising is more precise and uses individuals' actual behavioural data. User profiles are built using data on online activities, the device they are using, geospatial data, demographics and other metadata. Voice activated assistants can even pick up conversations that are happening and this area of technology is advancing rapidly. While presenting relevant information to individuals is an effective way of information delivery, it does not come without a cost.

In relation to news content that is delivered to audiences, the key issue in digital advertising is new methods of advertising that reaches the audiences without relying on the content. In other words, the separation of content from advertising is a new challenge to both news creators and consumers. An emerging issue in digital advertising is the method of targeting audiences via automated algorithm that enables programmatic advertising.



## Programmatic advertising

Digital platforms can provide accurate and targeted audience data because they have more control over the users' data compared to the pre-digital era. It is in the interest of advertisers, digital platforms and news media to reach target audiences effectively.

Programmatic advertising is an automated system that gathers data on individuals who are online and use the information to auction the advertising space on websites (ad impressions) to advertisers that are part of the network. The advertisement is personalised for the website visitor, based on personal information tracked by the system, which makes it easy to reach the target audience. It is estimated that about two-thirds of digital advertising in Australia are purchased programmatically.<sup>9</sup> This trend is a big shift from the traditional advertising model where advertisers relied on media content to reach their target audience based on genre preference and consumption habits. Programmatic advertising allows advertisers to reach target audiences based on their online behaviour and not on the content that they are consuming.

One of the concerns is related to the fact that programmatic advertising can support fake news. The production and dissemination of fake news can partly be explained by the revenues they generate through the platforms.<sup>10</sup>

After the 2016 US Presidential election when concerns were raised about the potential influence of fake news stories, both Facebook and Google announced measures to address this issue. Facebook launched an initiative in partnership with fact checking sites such as Politifact, Factcheck.org and Snopes to identify potential fake news stories being shared through their platform<sup>11</sup>. In addition it has recently announced measures to try regulate the placement of ads.<sup>12</sup> Google has also announced that they would be restricting the advertising revenue that was being generated by publishers of fake news stories.<sup>13</sup> However, it is yet unclear how digital platforms can reduce misinformation by these restrictive practices.

N&MRC conducted a pilot project<sup>14</sup> to investigate the relationship between fake news and programmatic advertising for the purposes of this submission. The study examined what types of advertising visitors would be exposed to on fake news sites. Three fact-checking sites - Politifact, Factcheck.org and Snopes - were used to sample fake news stories for investigation. In the period of two weeks (12-26 March, 2018), 67 stories were identified as fake news on these sites.

Each story was visited to examine the number and type of advertisements, and which advertising networks were supplying the advertising content. We found that of the 67 fake news stories and 240 advertising content viewed:

- 75% of the stories displayed advertising linked to the stories;
- Over 99% of the ads displayed were served through programmatic advertising networks; the remaining 1% of the advertisements were supplied by the site;
- 67% of the advertisements displayed were supplied through Google's programmatic advertising networks;



- While Google was the largest supplier of advertising, there were a total of 11 different programmatic networks that supplied the advertisements;
- 61% were stories completely made up for political or commercial reasons, 36% were stories that reflected poor journalism (factual mistakes, dumbed down stories, misleading headlines/clickbait).

Advertising displayed on fake news sites were mainly served through the Google open-market programmatic network despite Google's guidelines about the types of content that could receive advertising placements on it. There have also been many concerns globally and in Australia about the types of content that advertising is being attached to. This has resulted in both the UK and Australian governments pulling their advertising from Google's YouTube platform until these issues could be addressed.

As two of the largest online platforms, Google and Facebook are consistent in applying their advertising guidelines globally and being consistent with any restrictions in place in any local markets. Advertising agencies globally have been addressing issues around where their client's ads are seen online, putting pressure on digital advertising platforms to better control their advertising inventory. According to our pilot study, only a small number of the advertising displayed would have been booked through an advertising agency, the majority of the identified advertisers would have booked directly with the open-market programmatic networks and are likely unaware of, or not concerned with, the issues of where their advertising messages may appear.

Due to the nature of programmatic advertising, where advertising is targeted to the individual user rather than a mass audience, as long as audiences continue to consume fake news, there will be a market for advertising on fake news sites.

### Paying for news

As advertising spend shifts away from traditional media to online, the need for consumers to pay for their news is increasingly urgent.

Historically, the willingness-to-pay for news has been very low; news consumers are reluctant to pay for news. However, although only a slight increase, there are more people willing to pay for news; paid news consumers increased from 10% in 2016 to 13% in 2017. The global average of paid news consumers among 36 countries in 2017 was 13%, the highest being 27% and the lowest 6%. When asked the reason why they had paid, many news consumers did so mainly because of a promotional package or for the convenience of access; 30% of paid news consumers said that the reason was to get access on mobile devices and 30% said because of a print and online package. However, 24.8% of paid news consumers did so that they could support journalism (Table 6).

TABLE 6. REASONS FOR PAYING

<b>REASONS FOR PAYING</b>	<b>AMONG PAYING CONSUMERS</b>
<b>I want to help fund journalism</b>	24.80%
<b>I like to consume news from a range of sources</b>	31.5%
<b>It allows me to access news from my smartphone or tablet</b>	30.1%
<b>News you pay for is better than free news</b>	17.7%
<b>My favourite news source does not allow free access</b>	24.7%
<b>I like to have access to information that most people do not</b>	21.2%
<b>I need particular information for my job</b>	14.6%
<b>It was the only way I could access specialist information</b>	21.6%
<b>I was offered a good deal</b>	30.4%
<b>There were benefits from membership other than news access</b>	24.0%
<b>It was cheaper than paying for offline access (e.g. print or TV)</b>	20.5%
<b>I was able to pay for print and online access together</b>	30.0%

*Survey question: You said that you have paid for online news in the last year. What are the most important reasons for this? Please select all that apply.*

While getting news consumers to pay for the news content per se will never be a viable strategy for news companies, there is a small but growing trend of donating and the willingness to financially contribute to quality journalism among news consumers.

In 2017 24.6% of news consumers who have paid for news, have done so through donations. To maintain and increase journalism standards, more needs to be done to encourage news consumers to pay for quality information they can rely on.

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## *Recommendations*

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Changes that are occurring in the news market are unprecedented and will continue to shift along with the arrival of new technologies. In our submission, we have mainly examined the changes in the news market from the perspective of the news consumer. Other aspects such as data-driven personalised advertising, new types of online publishers that serve the news markets, and the market performance of these players are essential to future of the news and journalism market.

News market concentration measures and market power indicators need to be designed and implemented differently to that of traditional market measures due to its hybrid market structure, where news content are supported by advertising, and audience data are sold as commodities.

### **Recommendation 1: Ongoing monitoring of consumer behaviour**

An ongoing and regular monitoring of market power that includes news consumer behaviour and attitude is necessary. Monitoring the level of news consumers' trust in news, the changes in how people access and engage with news, and the diversity in news consumption can serve as indirect indicators of how the news ecosystem is serving the public interest.

In a market where numerous online publishers compete beyond national borders, it is important to track and monitor the changes regularly over time; (1) state of the players in the market (2) overall quality of news media, and (3) news consumers' perception and behaviour.

### **Recommendation 2. Encouraging consumer support of quality news**

Recognising Australian news consumers' willingness to make efforts and participate in initiatives for the betterment of the news environment, and encouraging this culture, is critical for the future of Australian news media.

Programs rewarding engaged citizens are needed. For example, making news media subscriptions tax deductible for all consumers of Australian news media; and moderate adjustments to tax settings and developing a system for extending deductible gift recipient status to not-for-profit news media organisations in Australia that adhere to appropriate standards of practice for public interest journalism, as recommended by a recent Senate Inquiry into Public Interest Journalism<sup>15</sup>, are small steps that could be implemented.

### **Recommendation 3: Increased news literacy**

News literacy and the ability to discern relevant content are critical skills in the digital age. An increased emphasis on programs and policies that aim to educate and enhance these skills is recommended for schools and the wider community.

### **Recommendation 4: Review of online advertising practices and the uses of personal data**

More research into the impact of programmatic advertising is needed as well as on how emerging types of advertising practices have an impact on the content delivered to audiences, in conjunction with how personal data are used. Furthermore, providing education opportunities to

direct advertisers on the relationship between data, advertising and online content and its impact is an area that needs attention. When examining the impact of digital advertising on news media, there needs to be a broader consideration that includes a regulatory framework on data privacy and use of personal information.

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