Response to the ACCC Digital Platform Inquiry Preliminary Report

Summary

Worldview Exchange is a digital media startup, creating new tools for the online news publishing industry to better engage with and deliver value for their readers.

We believe there is an alternate business model for traditional media that relies less on advertising and more on sharing the return on the value of personal data with readers as they create it together.

And we believe traditional media is the one industry in a position to create a new social network, built on trust and owned in common, through which they can create value with their readers.

Traditional media are on their knees. Despite considerable attention given in the ACCC Issues Paper and subsequent submissions to the interplay between the ascendant business model of digital platforms and those of traditional media, little has been said about how this interplay may be redressed.

Arguably, without radical change to the traditional media business model, or similarly radical intervention by regulators of digital platforms, it is likely the current ascendancy of digital platforms and social media will continue.

Without waiting on regulators to intervene, our view is that traditional media must make a move. And that there has never been a better time than now.

With multiple scandals concerning their ethics and the management of user data, trust in social media and digital platforms, like Facebook and Google, is low and getting lower. There is an opportunity, right now, for traditional news publishers and brands to re-establish a closer, more direct relationship with their readers, building on pre-existing trust and delivering greater value.

We suggest that, to compete with digital platforms, traditional media must consider pausing their competition with each other, and instead collaborate in:
• Developing a common yet adaptable industry-wide platform for all services down the news value chain beyond content creation and editing. This includes a content management system, publishing, ad booking, and audience profiling.
• Establishing a genuine partnership with the public for the ethical collection, management and use of personal data, used for audience profiling and ad targeting, and potentially many other applications.
• Creating a new social network, leveraging the size of the collective readerships and utilising a common content management infrastructure.

It’s the business model, stupid

The ascendency of digital platform business models at the expense of the traditional media business model is arguably the genesis and central narrative of the ACCC Issues Paper and Preliminary Report.

“... the growth of digital platforms and their increasing share of advertising revenue has challenged the business models of traditional media companies, particularly those reliant on advertising revenues such as newspaper, publishers and broadcasters”

“Given the reliance by news media businesses for traffic from Google and Facebook, digital platforms and their business models have a significant effect on news media businesses.”

This same narrative is also taken up in many of the submissions made to the Inquiry:

“As a leading creator and distributor of premium content the viability of Nine’s business model is challenged by the platforms’ dominance.”

“Digital platforms are engaging in various practices that undermine the business models of publishers, making it increasingly difficult for them to offer original and quality news and journalism to consumers”

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3 Nine, Submission To ACCC Digital Platforms Inquiry, April 2018.
4 News Corp Australia, Submission To ACCC Digital Platforms Inquiry Issues Paper, April 2018.
Considerable care is taken in explaining exactly how the digital platform business model has come to consume the model historically employed by media, in the Issues Paper at Chapter 2 ‘Industry Overview’ and at great length in the Preliminary Report, specifically at Chapters 1, 2, 4 and 6.

In summary:

- The free, valuable and superior services offered by digital platforms have captured the time and attention of media consumers. Most relevant of these free services are search, social networking, and content aggregation.
- Advertisers have shifted their spending from traditional media to follow the time and attention now being spent by consumers on digital platforms.
- This shift has also been encouraged by the greater capacity of digital platforms to more tightly target advertising, using the detailed data profiles they’ve built on each of their users.

Propelled by the need for growth

However, it is the aggressive pursuit of growth and shareholder value by digital platforms at the expense of all else, their *funding model*, that is as much the problem as their business model.

Now listed on the NASDAQ, both Facebook and Google are under continual pressure to deliver ever greater stock values through ever increasing revenues. Revenues, as summarised above, are a product of capturing (a) as much time and attention of their users as possible, and (b) as much personal data as possible.

Growth in profits and market capitalisation is their singular focus.

Digital platforms are unconstrained by the ethics and standards to which journalism as a vocation voluntarily holds itself, or the legislated expectations to which government, on behalf of the people, hold media organisations and the journalists they employ. For digital platforms truth, accuracy and balance in news reporting is not a consideration.

This singular focus informs their dealings with traditional news organisations as producers of free content. As the quote from News Corp above alludes, digital platforms have not been benign partners. They have actively drawn readers, their attention, and the resultant advertising revenues away from traditional media.
This singular focus informs the design of news feeds. As identified in the ACCC Preliminary Report, digital platforms have atomised news consumption, where consumers “access journalistic content on a story-by-story basis”\(^5\). It is in this environment that quality journalism competes with clickbait and fake news, where opaque algorithms promote content on its ability to capture attention, not capture the truth.

The funding models of digital platforms have no inbuilt incentive to design for the public interest value of quality news and investigative reporting. Quite the opposite. Shareholder value is at odds with the public interest. This fundamental misalignment of incentives is an important, yet largely overlooked, factor.

If the business model of digital media is the engine currently drawing attention and revenue away from traditional media, it is their funding models that act as the fuel.

**No new business models ventured**

Despite the ACCC Issues Paper stating a potential outcome of the Inquiry may include “findings regarding structural, competitive or behavioural issues in the relevant markets”\(^6\), and despite the amount of space in various submissions from traditional media dedicated to expounding the problems of their business models in collapse, no substantive recommendations of alternative business models have been offered.

Section 6.6.4 ‘Exploring different business models’ on page 262 deals with paywalls and subscriptions, and amounts not so much to an exploration but more of a cursory glance. Neither paywalls or subscriptions are particularly new ideas, and examples of where these models have turned the fortunes around for traditional media organisations are few and far between.

**Platform cooperativism applied to media**

Cooperatives or mutuals have been around for eons. In fact, since the days of the earliest human tribes. They’re arguably the most natural form of human organisation and amongst some of the most sustainable and successful.

Annual cooperative turnover worldwide exceeds $2.5 trillion\(^7\). And twice as many cooperatives see their 5th birthday compared with other ownership models.

The concept of a cooperative, as emerged from mid 19th Century England and defined by our friends over at Wikipedia:

“... is a legal entity owned and democratically controlled by its members. Members often have a close association with the enterprise as producers or consumers of its products or services, or as its employees.

Cooperatives achieve a mix of social and capital purposes by democratically governing distribution questions by and between equal by not controlling members. Democratic oversight of decisions to equitably distribute assets and other benefits means capital ownership is arranged in a way for social benefit inside the organisation. External societal benefit is also encouraged by incorporating the operating principle of cooperation between cooperatives.”

Platform cooperativism\(^8\) is the idea of applying cooperative principles to the governance, design and implementation of digital platforms.

In terms of addressing the actual and potential negative impacts of digital platforms, there are two types of platform cooperatives worth considering. One on the supply side of the news marketplace, a Digital Media Cooperative, and another on the demand side, a Social Network Cooperative.

A Social Network Cooperative could be one owned and controlled by its members, individuals as consumers of news. Where the resultant assets and benefits, for example the personal data created and sold, are distributed equitably.

A Digital Media Cooperative could be one owned and controlled by its members, the various news and media organisations. The platform itself could deliver content management systems, web publishing, ad bookings, and audience profiling as shared services.

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Arguably the only part of the news value chain for which individual media content creators have retained any competitive advantage is, unsurprisingly, content creation. Every other stage in the value chain, including publication, distribution and monetisation, is perhaps more efficiently achieved through shared services.

One of the seven guiding principles of cooperativism calls for “cooperation among cooperatives”\(^9\). And so it is easy to conceive how a Digital Media Cooperative, consisting of news organisations as its members, would benefit from a close and mutually beneficial relationship with a Social Network Cooperative, consisting of its readers.

Platform cooperativism is a potential solution to the issues created by both the business models and funding models of current digital platforms, including Google and Facebook.

A successful Digital Media Cooperative with sufficient scale has the potential to win back time, attention and revenue from Google and Facebook.

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A successful Social Network Cooperative, where assets and other benefits are democratically and equitably distributed, addresses the misalignment of incentives present in digital platforms, where the returns for just a few shareholders are preferred over public interest journalism.

Examples of cooperation in the media

The Associated Press

Given content creation might appear to be the last part of the news value chain that individual media organisations retain an advantage over digital platforms, and that content creation may then not be an obvious function around which to form a media cooperative, it is surprising that perhaps the best example of a successful media cooperative, the Associated Press, is in the business of content creation.

The AP was established in 1846 as a cooperative by five newspapers in order to share the costs of transmitting news of the Mexican-American War. As of 2016, news collected by the AP was published and republished by more than 1,300 newspapers and broadcasters. It operates 263 news bureaus in 106 countries.

An Australian digital identity cooperative

Perhaps most interesting and relevant to this particular Inquiry, was the announcement in December 2017 by Fairfax Media, News Corp Australia and Nine of their exploration of an “anonymised digital identity co-operative”.

The purpose is to combine their audiences, numbering approximately 15 million, and together develop more detailed personal data profiles, and so sell more tightly targeted and valuable advertising. One stated objective is to better compete with digital platforms, and Google in particular for advertising revenue.

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“Fairfax Media, News Corp Australia and Nine have banded together to “explore” the creation of an anonymised digital identity co-operative with the aim of better competing with Google for ad dollars.

“News Corp Australia chief digital officer Nicole Sheffield said the co-op was “absolutely” designed to give the publishers a way to compete against Google.”

As noted by Mumbrella in their reporting of the announcement, this is not the first time market pressures have brought media organisations to the same conclusion, that there is opportunity in working more collaboratively and cooperatively.

If this particular proposal succeeds it will be because of shared desire by the respective organisations to take back some control over their destiny. In referencing the announcement in their own submission to the Inquiry, Facebook can see no reason why media organisations shouldn’t be arrangement themselves in this way to compete.

There are no structural or technological barriers preventing other digital platforms or online news media sites from collecting any of the data we collect. Indeed, much of the data we collect is generally possessed by these competitors, as well as many other companies - for example, newspapers, which also collect consumer data.

Recommendation

In light of the above, Worldview Exchange recommends the ACCC explore alternate legal vehicles and governance structures that enable cooperation amongst news media organisations as a potential option in addressing the actual and potential negative impacts of digital platforms.

We recommend the Australian news organisations come together to create an inclusive Digital Media Cooperative, and work together to promote the establishment of a Social Network Cooperative, owned and controlled by its collective audiences.

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15 Facebook Australia, Submission to the ACCC Digital Platforms Inquiry, 18 April 2018
Contact and further information

For further information or clarification concerning this response please be in touch with Richard Shannon, Founder, Worldview Exchange.

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For further reading about Worldview Exchange please refer to our Medium blog:

https://medium.com/building-worldview

For more information on our engagement tools visit the Chrome webstore:

https://chrome.google.com/webstore/detail/worldview-exchange/alibllehahnpcfdjgcopcnlnoaijpon