



Digital platforms services inquiry

**Interim report 6: Report on
social media services**

March 2023



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Executive summary

Introduction

Social media platforms provide an important service for Australian consumers to connect and communicate with friends and family, public figures, influencers, and businesses online. They are also important intermediaries for businesses and advertisers seeking to reach customers, as well as for community organisations seeking to share relevant information with their members. These connections have brought significant benefits to Australian society and to the economy.

The sixth interim report of the Digital Platform Services Inquiry examines competition and consumer issues associated with social media services in Australia. It analyses how social media is used by consumers, businesses, advertisers, and influencers, how this use has changed over time. The report has a key focus on assessing competition for consumers by social media platforms. It also considers the importance of display advertising as a key revenue source of the platforms, the rapidly growing influencer marketing industry, and the harms that can occur in relation to social media services.

The main social media services examined in this report are Facebook and Instagram (owned by Meta), Twitter, Snapchat and TikTok (owned by ByteDance). We have also considered other social media services, including YouTube, Reddit, Pinterest, BeReal and LinkedIn.

Our analysis of social media services has identified a range of competition and consumer issues. These include:

- the significant market power of Meta
- data collection and use practices
- a lack of effective dispute resolution mechanisms for consumer and business users
- harm to Australians caused by scams
- a lack of advertising transparency
- inadequate disclosures by influencers.

These issues can have a significant impact on Australian consumers and businesses.

This report builds on the ACCC's previous work in relation to digital platforms and highlights the continued importance of the recommendations made in the ACCC's Regulatory Reform Report (released November 2022), to address competition and consumer harms on digital platforms. A significant amount of work is also being undertaken across government on a range of issues relating to social media that extend beyond the remit of the ACCC.

To assist in a whole of government approach to these issues the ACCC engages and consults with other areas of government on relevant digital platform matters.

The ACCC's approach to social media services and platforms

In general terms, social media services are online services that allow users (both individual consumers and businesses) to participate in social networking, communicate with other users and share and consume content generated by other users (including influencers and professional publishers). Social media services generally display content for consumption as linear 'feeds', curated by algorithms or displayed chronologically.

The ACCC acknowledges that 'social media' is an inexact term with broad usage that could apply to a number of different services and digital platforms, and has various definitions in different contexts. While 'social media service' and 'social media platform' are used in this report, they are terms that are not defined in the direction given to the ACCC to undertake this Inquiry, and it is difficult to put precise boundaries around these services and platforms. For the purpose of assessing competition in social media services in this report, we have analysed services provided by large platforms that have a core focus on social connections. These social connections include connections between:

- friends and family, using a social graph that maps out users' connections. This tends to involve a two-way connection, where users are mutually connected to each other
- users with similar interests, where users may not know each other outside of the platform. This typically involves connecting users based on common interests (such as hobbies, or medical support groups) or common geography (such as suburb or region)
- users and public figures, businesses, government organisations and influencers. This tends to involve a single direction of connection – for example where a user follows a business, but the business does not follow the user.

The business model of social media platforms

Most social media platforms provide their services at zero monetary price. In exchange, platforms have access to an individual's personal data and attention, which is then sold to advertisers in the form of targeted advertising.

Algorithms are used to target advertisements to specific groups of users based on demographics, interests, and online behaviour, making display advertising opportunities highly effective at reaching their desired audience.

Many social media platforms derive the vast majority of their revenue by monetising user data and attention for targeted advertising. Some platforms also sell virtual goods, premium features, and subscriptions to consumers. The sale of virtual goods is a small but increasing source of revenue for platforms, where platforms take a commission on digital 'gifts' that are given to creators and influencers that produce digital content.

Social media platforms have also facilitated and benefited from the rise of influencers, who generate content on these services. As the content posted by influencers often gains significant consumer interest, the presence of influencers can increase the appeal of a social media platform to its users.

Social media services have evolved

Social media platforms and services have evolved significantly over time. The first platforms such as MySpace and LinkedIn allowed users to create profiles and connect with friends and colleagues. However, these early platforms were primarily focused on text-based communication and did not have many of the features that are now considered standard.

In the past decade, social media services have become more visual and interactive. Services such as Instagram, Snapchat and TikTok place a heavy emphasis on visual content, including photos and short form videos. These services have also incorporated features such as live streaming, augmented reality filters, and e-commerce integrations.

Social media services are increasingly used for entertainment services, as well as to access social connections. Users who engage with a social media service for entertainment purposes are likely to have a much broader range of alternatives available to them, beyond social media platforms, including streaming apps.

Trends in the use of social media

Since the ACCC first considered social media in its 2019 Digital Platforms Inquiry, there have been changes in the use of social media platforms, particularly due to the growing popularity of TikTok among younger Australians. However, Meta's platforms (Facebook and Instagram) remain the most widely used social media platforms in Australia. They are also important intermediaries for businesses, influencers and advertisers to reach consumers. In Australia, Meta has:¹

- the most users on mobile apps (Facebook has the most of any single platform)²
- the greatest share of time spent by users on mobile apps³
- the most advertisers
- the largest amount of advertising revenue.

In Australia, Meta's Facebook and Instagram platforms account for the most users and time spent by active users of social media platforms on mobile apps. Facebook accounts for more than 21 million monthly active users in Australia, which represents more than 80% of the total population.⁴ Instagram has more than 10 million monthly active users in Australia.⁵ Facebook has relatively little room to grow its user base in Australia, due to its already high number of active users. On a global level, Facebook is continuing to grow, with Facebook's daily active users increasing 4% to 2 billion, and its monthly active users increasing 2% to 2.96 billion between 2021 and 2022.⁶

¹ Compared to other social media platforms considered in this Report. The number of users and time spent is based on Sensor Tower data and covers mobile apps. The majority of time spent on social media is spent on mobile apps, as set out in the Note on Data.

² Source: ACCC analysis of Sensor Tower data. This statement refers to average daily active user and monthly active user figures between 2019 and 2022 on Facebook's mobile app.

³ Source: Sensor Tower data.

⁴ Source: Sensor Tower data.

⁵ Source: Sensor Tower data.

⁶ Meta Investor Relations, [Meta Reports Fourth Quarter and Full Year 2022 Results](#), 1 February 2023, accessed 22 February 2023.

Globally, Meta has indicated that it has over 200 million businesses on its platforms.⁷ According to a survey conducted by Meta, approximately 83% of Australian new small and medium enterprises used Facebook to help start their business.⁸

Between 2019 and 2022, Meta's Facebook and Instagram platforms saw relatively stable year-on-year growth in active users in Australia.⁹ YouTube's active user numbers increased from 17.5 million to 20 million between 2019 and 2022.¹⁰ TikTok is the only social media platform with a large, monetised active user base in Australia that has grown significantly throughout 2020 to 2022. Most other social media platforms have seen relatively stable or slight increases in Australian active user numbers between 2019 and 2022.¹¹

In terms of the total time that Australians spent on social media platforms, Meta's Facebook and Instagram services have the highest total time spent on their mobile apps. To put the total hours spent on these mobile apps in perspective, we have divided the total hours spent on these mobile apps by the Australian adult population in 2021, which was approximately 20 million. Doing so indicates that, for a population of approximately 20 million Australian adults, between 2020 and 2022 the total time spent increased from 16.9 to 17.2 hours on Facebook per adult per month, and 9.8 to 9.9 hours on Instagram per adult per month.¹²

Similarly, between 2020 and 2022 the average Australian adult's time spent on YouTube's mobile apps increased from 21.5 to 22.6 hours per month. TikTok has seen the greatest increase in time spent between 2020 and 2022, with the average Australian adult's time spent on TikTok increasing from 6.5 to 13.1 hours per month. While TikTok's growth has been strong over this period, its rate of growth appears to be slowing.¹³

Advertising on social media

Given the amount of time Australians spend on social media services, these services are critical for businesses seeking to advertise and engage with consumers.

Social media platforms provide advertisers with the ability to target individual users at a very detailed level, which is not a feature of traditional advertising such as on radio or television. This type of targeted advertising is employed by businesses of all sizes and is

⁷ Meta, [Q4 2020 Results Conference Call](#), 27 January 2021, accessed 20 February 2023. See also Instagram, [Get your business started on Instagram](#), accessed 20 February 2023.

⁸ Facebook Australia, [Dynamic Markets Report: Australia](#), October 2021, p 5.

⁹ Source: Sensor Tower data.

¹⁰ Source: Sensor Tower data.

¹¹ Source: Sensor Tower data.

¹² Source: ACCC analysis of Sensor Tower data. To put the total hours spent on these services in perspective, we have divided them by the Australian adult population in 2021. This is based on ABS population data for 2021 of 20,193,728. As the denominator is based on a snapshot of the Australian population in 2021, it will include some users who don't use these services. Further it does not account for changes in the Australian population over the period 2020 to 2022. Accordingly, these figures show that the overall time spent on these services has increased, not that every Australian adult is spending more time on the service, or that the rate of use per Australian adult has increased. We note that the total hours spent per app is:

- Facebook: 4.082 billion hours in 2020 to 4.165 billion hours in 2022
- Instagram: 2.378 billion hours in 2020 to 2.407 billion hours in 2022
- YouTube: 5.211 billion hours in 2020 to 5.474 billion hours in 2022
- TikTok: 1.604 billion hours in 2020 to 3.175 billion hours in 2022.

¹³ Source: ACCC analysis of Sensor Tower data, using the same methodology described in the footnote above.

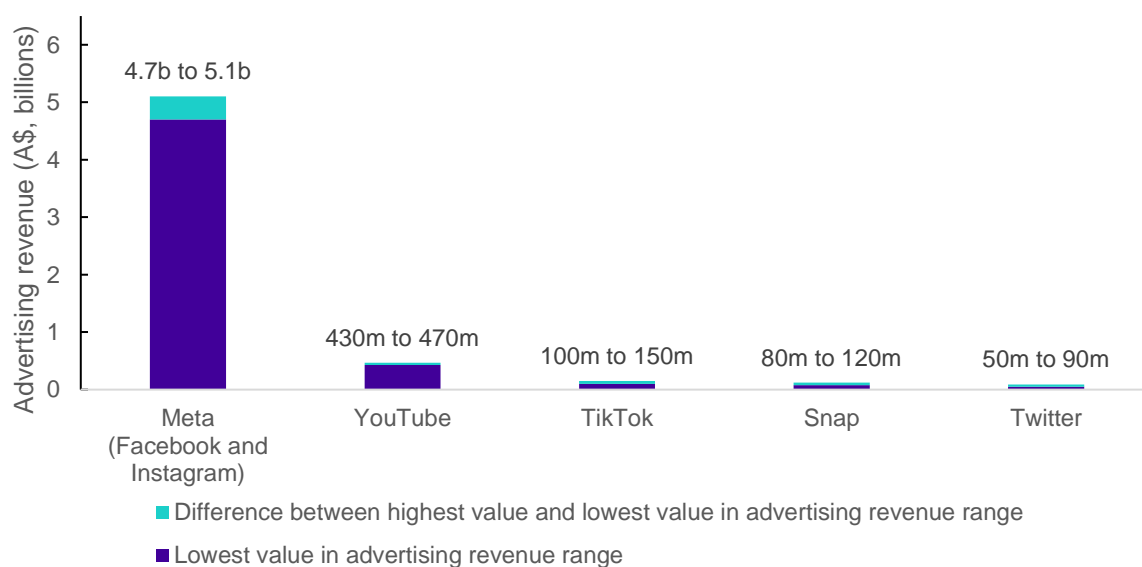
not exclusive to any particular industry groups, however, businesses of different scales may employ these services differently.

Decisions about where and how to advertise on social media are influenced by a variety of factors, such as which platforms the advertisers’ target audience uses; overall costs; targeting capabilities; conversion rates and where on the user interface the advertisement will appear.

Small and medium sized businesses rely heavily on social media advertising services, particularly due to their targeting capabilities, ease of use, and cost effectiveness when compared to other forms of advertising. Meta’s services are particularly important to these businesses as they provide ecosystem-wide advertising options and can accommodate a range of advertising formats.

Meta’s consumer reach and targeting capabilities also make it the most important social media platform for advertisers. Meta continues to capture the vast majority of advertising spend on social media platforms in Australia. The combined Australian advertising revenue of YouTube, TikTok, Twitter and Snapchat is significantly less than Meta’s Australian advertising revenue.

Figure E1: Australian advertising revenue on selected platforms July 2021 – June 2022¹⁴



¹⁴ Data provided to the ACCC by Meta, Google (YouTube), TikTok, Snap and Twitter. The ACCC notes that advertising revenue ranges included in this Figure are estimates and are not based on data that is recorded during the platforms ordinary course of business.

In relation to Meta – the ACCC notes that advertising revenue figures for Facebook and Instagram in Australia relate to the amount of advertising revenue from customers in Australia based on the location of the invoiced party (which may differ from the country in which the advertisements are shown). The ACCC understands that these figures are not recorded in the ordinary course of business by Facebook Australia and are not audited, verified or otherwise reported on. As such, the ACCC considers that these are approximate estimates of relevant advertising revenue attributable to Australia for Facebook and Instagram.

In relation to YouTube – ACCC estimate is derived by taking YouTube gross advertising revenue less revenue share payments to eligible YouTube creators, artists and partners based on advertisements displayed or streamed on public videos on their content Watch Page. See YouTube Help, [YouTube partner earnings overview](#), accessed 9 March 2023. The basis on which the gross revenue was provided is not directly comparable to the methodology used for Google’s externally reported global and Australian advertising revenue.

Advertisers' concerns with social media platforms

Advertisers need to be able to assess and compare the price and quality of competing services so they can choose the services that best suit their needs. Advertisers have raised concerns about the transparency and accuracy of advertising performance data. This creates an information asymmetry which can harm advertisers. Advertisers may not be able to choose the best services for their needs and a lack of transparency can reduce trust and confidence, and hence, reduce advertisers' engagement with social media advertising services.

In an attempt to address these concerns, some platforms have developed partnerships with third-party advertising verification services. While these services may be useful to some advertisers, engaging third-party verifiers can be costly and time consuming, making them less viable for smaller businesses. Consequently, these third-party services are unlikely to make up for insufficiently transparent advertising performance data provided to advertisers.

Competition for users between social media platforms

Social media platforms tend to be highly differentiated from each other by:

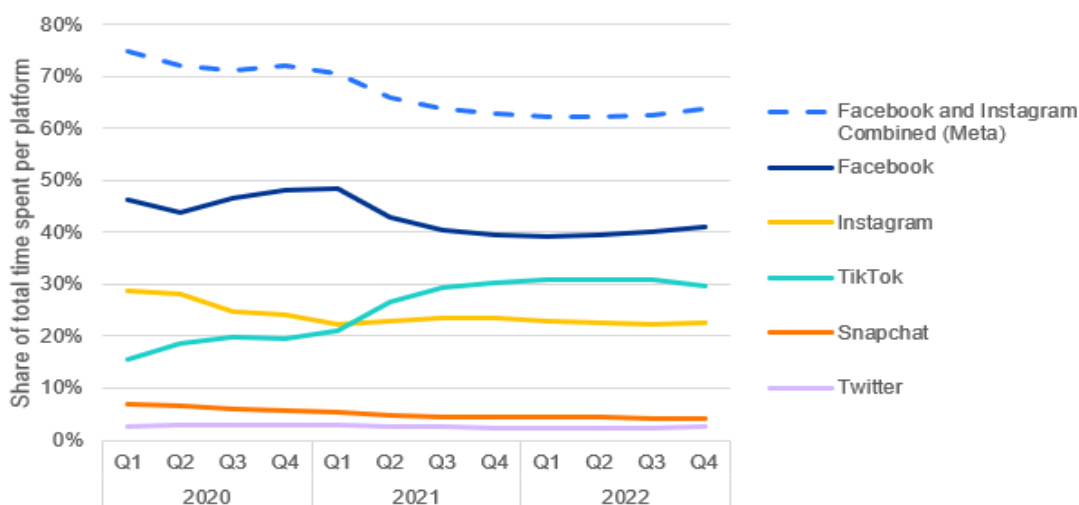
- the features and functions offered by each platform
- the types of connections they facilitate
- the way that users use a platform's features and functions.

This reduces the likelihood that social media platforms are close substitutes to each other. Further, there are differences in the size and demographics of each of the platforms' user base, impacting the types of social networks that users can engage with on these platforms.

Meta is the most significant supplier of social media services in Australia, facilitating the 3 types of social connections outlined above on its Facebook and Instagram platforms. Meta's closest competitors are TikTok, Twitter and Snapchat. These platforms each, to varying degrees, facilitate social connections through the features that they offer and the way that users use the service. Other social media services, such as YouTube, are significantly differentiated as they lack features designed to facilitate social connections, and are used by users differently (for example, YouTube is often accessed through connected TV). The overall time spent on Meta's social media services is more than double the time spent on TikTok, and among its closest competitors it has retained over 60% of the share of time spent on mobile apps since 2020.¹⁵

¹⁵ Source: Sensor Tower data.

Figure E2: Share of time spent by Meta and its closest competitors (mobile apps)¹⁶



While the ACCC has identified TikTok, Snapchat and Twitter as Meta’s closest competitors, we consider that these platforms impose a weak competitive constraint to Meta because there is differentiation between platforms.¹⁷

There are also differences in the size and demographics of the user base of each platform. For example, users over the age of 35 are much less likely to use TikTok than Facebook and Instagram.¹⁸ While this impacts the types of social networks available to users across these platforms, it also suggests that users in different demographics may view different sets of platforms as effective alternatives.

Barriers to entry and expansion for the provision of social media services remain high, despite the entry of TikTok and smaller platforms such as BeReal. In particular, TikTok was able to enter through providing a differentiated service that recommends content to users from outside their social network. Significant investment in its platform enabled it to acquire other platforms, advertise heavily to acquire users and to attract influencers to create content for it.

Switching costs can also act as a barrier to entry in social media. As the volume of personal and shared information a user has on a social media platform is likely to build over time, switching costs may increase as the length of time a user is on the platform increases. Meta's platforms (particularly Facebook) have attracted and retained a large number of users for a significant period of time who have invested in uploading material and building a large network of social contacts, which can raise these users' switching costs.

Accordingly, our assessment found that Meta has significant market power and faces weak competitive constraints from other social media platforms for the provision of

¹⁶ Source: Sensor Tower data. This chart shows the total share of time spent by Australian users on Facebook, Instagram, TikTok, Snapchat and Twitter since 2020. This involves calculating the total time spent on each platform, divided by the amount of time spent on Facebook, Instagram, TikTok, Snapchat and Twitter together. Total time spent is measured in hours across all Australian users in the quarter. The measure of 'all users' is based on Sensor Tower's 'total time spent' measure, which is an estimate of time spent for all Australian users based on total session count and session duration metrics based on Sensor Tower's panel, which is then extrapolated to all users.

¹⁷ However, the ACCC notes that TikTok and Snapchat could be a closer alternative to Instagram in some circumstances due to some overlaps in functionality.

¹⁸ Source: ACMA data.

social media services to users. This is especially apparent for users aged over 25 who are less likely to use TikTok than younger users. However, even for younger users, the degree to which TikTok is a close alternative is limited due to the degree of differentiation between TikTok and Meta's services.

Meta's market power

Where there are effective competitive constraints, users will generally have alternatives to a particular service, and can switch to another service in response to a decrease in quality (or an increase in price). We have considered whether Meta has market power by assessing the extent of any switching away from Meta's social media services in response to potential decreases in quality resulting from:

- the amount of advertising that users are being shown over time
- the Cambridge Analytica scandal and the Frances Haugen leaks (which exposed potential harms to Meta's users).

Based on research undertaken by the ACCC, Meta serves a higher volume of advertisements per hour of time spent than some other social media platforms.¹⁹ Further, Meta's own documents confirm it increased its ad impressions across its platforms by 18% year on year in 2022.²⁰

This suggests consumers are getting less content in exchange for their data and attention on Meta's platforms than they were receiving in 2021. As Meta's number of users has continued to increase, it does not appear that it faces a high risk of losing users to other platforms as a result of showing a relatively high and increasing amount of advertising.

In response to both the Cambridge Analytica scandal and the Frances Haugen leaks, we did not observe a material change in daily active users on Meta's platforms. It can be challenging to identify appropriate indicators and measures of quality, particularly where users have diverse preferences. Nonetheless, the ACCC considers that the apparent lack of switching by users after these events, which generated significant negative publicity at the time, could reflect a lack of alternatives to Meta's Facebook and Instagram platforms.

Harms arising from a lack of competition in social media services

A lack of effective competition in the supply of social media services can reduce innovation and consumer choice. Where there are few (or no) comparable alternatives available, or consumers feel compelled to use the service because their social or work networks are on them, consumers may need to accept undesirable terms of use.

¹⁹ This analysis is based on data covering advertising impressions served to Australian users on selected social media apps (Facebook, Instagram, TikTok and Snapchat), available through Pathmatics, Sensor Tower's digital advertising analytics service. Pathmatics advertising spend data was not verified with each of the advertisers or brands that formed part of this analysis. The number of advertising impressions for a given period was compared with the total time spent by users on each app, according to Sensor Tower data. A higher number of impressions relative to time spent was interpreted as a higher ad load during that period on that app. As a hypothetical example, if a platform had 200 ad impressions served and 100 hours of user time during a month, this would result in an ad load of 2 advertisements per hours of user time for that period.

²⁰ Meta Investor Relations, [Meta Reports Fourth Quarter and Full Year 2022 Results](#), 1 February 2023, accessed 22 February 2023. This includes Facebook, Instagram and WhatsApp.

These undesirable ‘take-it-or-leave-it’ terms can involve the unwanted collection and use of consumers’ data, particularly where there is no privacy law safety net, or greater exposure to targeted advertising. Effective competition, in combination with effective regulation of privacy and data collection, may improve the level and range of privacy and data protection offered by social media platforms.

Absent effective competitive constraints, there is an increased risk that large digital platforms have the ability and incentive to engage in exclusionary conduct, that prevents or inhibits rivals from competing on their merits. In relation to social media services this could include:

- anti-competitive self-preferencing, by giving preferential treatment to its own products and services when they compete with products and services provided by third parties using their service
- making access to a service conditional on using another service
- creating barriers to switching and multi-homing, which can be particularly problematic where there are strong network effects
- restricting third-party access to data
- not providing sufficient information to market participants, limiting the efficient functioning of markets.

Harms to consumers and small businesses

Many of the harms to consumers and small businesses on social media that have been identified in this report are common across a range of digital platform services, and have been previously considered in our Digital Platform Services Inquiry reports into App Marketplaces, Defaults and Choice Screens, General Online Retail Marketplaces and the Ad-tech Inquiry. These harms occur across a range of platforms and are not limited to those that hold market power.

We consider that these harms are best addressed by the consumer recommendations made in the ACCC’s Regulatory Reform Report, including in relation to the following:

Scams on social media platforms continue to be of significant concern. In 2022, Australians reported losses of over A\$80 million to scams on social media.²¹ Platforms that host or otherwise act as intermediaries between scammers and their victims are in a unique position to identify and stop scams. Mandatory processes to prevent and remove scams, in conjunction with the work the ACCC is leading in the new National Anti-Scam Centre, will better address harmful scam conduct in future.

Many consumers and small business users consider they **lack effective dispute resolution mechanisms** with social media platforms. The ACCC continues to call for the development of internal dispute resolution standards and the establishment of an external Digital Ombuds Scheme to provide users better dispute resolution pathways.

Fake ratings and reviews, and the manipulation of ratings and reviews, have the potential to harm both consumers and businesses. The high volume of activity on social media and the relative ease with which reviews and ratings can be published increases the harm posed. Fake accounts are one way that scammers and other bad actors target their potential victims. While the platforms currently do take steps to detect and remove fake

²¹ Scamwatch, [Scam statistics](#), accessed 27 January 2023.

accounts, further work may be required to improve detection efforts due to their prevalence.

There are a range of **unfair trading practices** that currently fall outside of the Australian Consumer Law, including the extent of collection, use and disclosure of data by platforms does not align with consumer preferences. The Attorney-General's Department has conducted a review of the Privacy Act, which includes data collection practices on social media platforms. An unfair trading practices prohibition could supplement changes arising from this review to help address the harms that remain outside the scope of privacy law and the existing consumer law.

Influencers

Influencers generate and share content on social media services with other users, including their followers. Influencers can cultivate an audience and earn revenue by promoting brands and products, receiving donations or subscription funds from their audiences, or joining funding programs offered by the platforms. Influencers are dependent on social media services to reach their audience.

The influencer marketing industry is growing significantly. Estimates suggest that the global influencer marketing sector is expected to grow from US\$6 billion in 2020 to US\$24.1 billion by 2025.²²

The ACCC considers that disclosure of sponsored posts by influencers needs to be improved. Lack of disclosure may mislead consumers who may be unaware that endorsements by influencers are paid for, preventing them from making informed choices when purchasing products online.

In early 2023, the ACCC launched a sweep which identified 81% of influencer posts as potentially misleading endorsements and testimonials. Various education, compliance and potential enforcement activities will be conducted by the ACCC based on the issues identified from the sweep.

Other Australian regulators are undertaking important work to address influencers giving unlicensed financial advice, promotion of therapeutic goods and cosmetic surgery, and a lack of disclosure of gifts as taxable income.

As the influencer marketing industry continues to grow, new issues are emerging. These include harms to influencers, such as:

- **Uneven remuneration:** There is a broader lack of understanding and consensus about the standards for determining pay rates in marketing arrangements between influencers and brands. Social media platforms actively attract and encourage influencers to monetise their presence on their platforms through content creator programs and bonus funds; however changes to platform algorithms and platform influencer partner programs can have a considerable impact on an influencer's ability to reach their followers and earn revenue.
- **Online harassment:** Influencers are often public figures, and as such can face high rates of online harassment and bullying.
- **Child influencers:** Who may be susceptible to greater harms online, including via online harassment, privacy breaches and a lack of labour protections.

²² Markets and Markets, [Influencer Marketing Platform Market](#), accessed 21 November 2022.

Next steps

The ACCC considers that the consumer and competition measures recommended in its Regulatory Reform Report can address many of the harms identified in social media services.

These recommended measures include, in particular, the economy-wide prohibition against unfair trading practices, mandatory processes to prevent and remove scams (in conjunction with the government's work on the National Anti-Scam Centre), internal dispute resolution standards and access to an independent external Digital Ombuds Scheme, and additional competition measures with targeted competition obligations.

The ACCC will continue to examine digital platform services in its next report, which is focused on the expanding ecosystems of digital platform service providers.

Regulatory Reform Report recommendations

Recommendation 1: Economy-wide consumer measures

The ACCC continues to recommend the introduction of new and expanded economy-wide consumer measures, including an economy-wide prohibition against unfair trading practices and strengthening of the unfair contract terms laws.

These reforms, alongside targeted digital platform specific obligations, would assist in addressing some of the consumer protection concerns identified for digital platform services.

Recommendation 2: Digital platform specific consumer measures

The ACCC recommends additional targeted measures to protect users of digital platforms, which should apply to all relevant digital platform services, including:

- Mandatory processes to prevent and remove scams, harmful apps and fake reviews including:
 - a notice-and-action mechanism
 - verification of certain business users
 - additional verification of advertisers of financial services and products
 - improved review verification disclosures
 - public reporting on mitigation efforts.
- Mandatory internal dispute resolution standards that ensure accessibility, timeliness, accountability, the ability to escalate to a human representative and transparency.
- Ensuring consumers and small business have access to an independent external Digital Ombuds Scheme.

Recommendation 3: Additional competition measures for digital platforms

The ACCC recommends the introduction of additional competition measures to protect and promote competition in markets for digital platform services. These should be implemented through a new power to make mandatory codes of conduct for 'designated' digital platforms based on principles set out in legislation.

Each code would be for a single type of digital platform service (i.e., service-specific codes) and contain targeted obligations based on the legislated principles. This would allow flexibility to tailor the obligations to the specific competition issues relevant to that service as these change over time.

These codes would only apply to 'designated' digital platforms that meet clear criteria relevant to their incentive and ability to harm competition.

Recommendation 4: Targeted competition obligations

The framework for mandatory service-specific codes for Designated Digital Platforms (proposed under Recommendation 3) should support targeted obligations based on legislated principles to address, as required:

- anti-competitive self-preferencing
- anti-competitive tying
- exclusive pre-installation and default agreements that hinder competition
- impediments to consumer switching
- impediments to interoperability
- data-related barriers to entry and expansion, where privacy impacts can be managed
- a lack of transparency
- unfair dealings with business users
- exclusivity and price parity clauses in contracts with business users.

The codes should be drafted so that compliance with their obligations can be assessed clearly and objectively. Obligations should be developed in consultation with industry and other stakeholders and targeted at the specific competition issues relevant to the type of service to which the code will apply. The drafting of obligations should consider any justifiable reasons for the conduct (such as necessary and proportionate privacy or security justifications).

Glossary

Term	Description
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law, contained in Schedule 2 of the CCA.
ACMA	Australian Communications and Media Authority
Ad Tech Inquiry	Digital Advertising Services Inquiry (2020–21) . The ACCC conducted an inquiry into markets for the supply of digital advertising technology services and digital advertising agency services.
Ad verification	The process of checking whether an advertisement could be viewed by a consumer, was displayed in a brand safe context and webpage, and/or whether fraud took place.
Algorithm	A sequence of instructions that performs a calculation or other problem-solving operation when applied to defined input data. In this Report, algorithm generally refers to the algorithms used by major digital platforms to rank and display content on their services.
API	Application Program Interface. A computing interface that allows interactions between multiple software programs, such as apps and the OS, for the purpose of simplifying programming.
App	Application. A software program that allows a user to perform a specific task either on a particular device or online.
ASIC	Australian Securities and Investments Commission
Augmented reality filter/lens	Computer-generated effects that may be superimposed on real-life images or video content. They work with a user's camera, adding a layer or imagery to the content's foreground or background.
CCA	<i>Competition and Consumer Act 2010</i> (Cth)
Cross-side network effects	Present where an increase (or decrease) in the number of users on one side of the platform affects the value of the service to users on other sides of the platform.
Dark patterns	The design of user interfaces intended to confuse users, make it difficult for users to express their actual preferences, or manipulate users into taking certain actions.
Daily active user	A registered user of a social media platform who, for any given day, logged on to and visited the social media platform.
Designated Digital Platform	A digital platform which meets the recommended designation criteria that could be subject to a code of conduct.
Issues Paper	The Issues Paper for the sixth interim report of the DPSI, published on 16 August 2022.
Display advertising	The supply of opportunities for the placement of advertising, by way of the internet, other than classified advertising and search advertising.
DPI	Digital Platforms Inquiry (2017–2019). An inquiry conducted by the ACCC into digital search engines, social media platforms and other

	digital content aggregation platforms, and their effect on markets for media and advertising services.
DPI Final Report	The final report of the ACCC's Digital Platforms Inquiry, published on 26 July 2019.
DPSI	Digital Platform Services Inquiry (2020–2025) . The ACCC's 5-year inquiry into the supply of digital platform services.
DP-REG	Digital Platforms Regulators Forum. The formal arrangement between the ACCC, eSafety, ACMA and OAIC for information-sharing and collaboration on digital platform regulatory issues.
Economies of scale	Cost advantages obtained by a supplier, where average costs decrease with increasing scale.
eSafety	Office of the eSafety Commissioner. Australia's independent online safety regulator.
EU	European Union
Exclusivity clauses	Exclusivity clauses refer to clauses in contracts that impose restrictions on one party's freedom to choose with whom, in what, or where they deal. For example, in digital platform services, an exclusivity clause could require a business user to only offer its products or services through the platform the business user is contracting with.
In-app purchases	Purchases made within an app, which can be for additional features, functionality or content to be consumed within the app, as well as for physical goods and services to be consumed outside the app.
Interoperability	The ability of different digital platform services to work together and communicate with one another.
iOS	Apple's OS for mobile devices, including the iPhone. The iPad runs iPadOS, which is based on iOS.
Monthly active user	A registered user of a social media platform who, for any given month, logged on to and visited the social media platform.
Mobile device	Smartphones and tablet devices.
Multi-homing	The practice of using more than one supplier of the same type of service.
Network effect	Present where an increase (or decrease) in the number of platform users on one side of the platform affects the value of the service to other users of the platform. <i>Also see cross-side network effects and same-side network effects</i>
OAIC	Office of the Australian Information Commissioner
OECD	Organisation for Economic Cooperation and Development
Online private messaging services	Services that enable users to communicate privately and in real-time with friends, family members, colleagues and other contacts, one-to-one and/or with a group using text, voice or video.
Organic content	Any content that appears on a social media platform which is delivered to Australian users, and is not paid content (e.g., an advertisement).

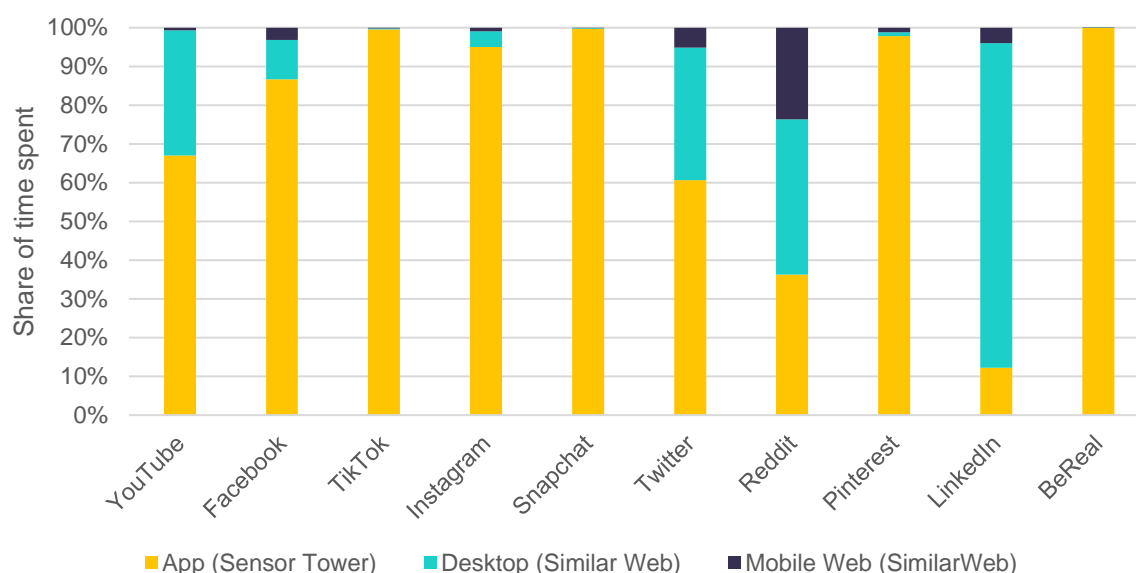
Product ecosystems	In this Report, product ecosystems refer to the range of related or complementary products, that are integrated and able to interoperate.
Privacy Act	<i>Privacy Act 1988 (Cth)</i>
Report	The sixth interim report of the DPSI, in relation to the provision of social media services in Australia.
Regulatory Reform Report	The fifth interim report of the DPSI on regulatory reform, published on 11 November 2022.
Report on App Marketplaces	The second interim report of the DPSI on app marketplaces, published on 28 April 2021.
Report on General Online Retail Marketplaces	The fourth interim report of the DPSI on general online retail marketplaces, published on 28 April 2022.
Report on Online Private Messaging Services	The first interim report of the DPSI on online private messaging, search and social media services, published on 23 October 2020.
Report on Search Defaults and Choice Screens	The third interim report of the DPSI on web browsers, general search services and choice screens, published on 28 October 2021.
Revenue-sharing agreements	In this Report, revenue-sharing agreements refer to agreements between social media platforms and influencers to share a proportion of the revenue earned on advertisements shown on or around their content on the platform.
Pathmatics	Sensor Tower's digital advertising analytics service.
Same-side network effects	Present where an increase (or decrease) in the number of platform users on one side of the platform affects the value of the service to other users on the same side of the platform.
Scamwatch	A website run by the ACCC to provide information to consumers and small businesses about how to recognise, avoid and report scams.
Self-preferencing	In this Report, self-preferencing refers to circumstances in which a platform gives preferential treatment to its own products and services when they are in competition with products and services provided by third parties using the platform.
Sensor Tower	A digital analytics service providing enterprise-level data on a range of digital publishers, including social media apps. Its products offer market insights such as download numbers, time spent, revenue, share of voice, and engagement metrics.
SME	Small and medium sized enterprises.
Tying	Tying occurs when a supplier sells one product or service on the condition that the purchaser buys another product or service from the supplier.
UK	United Kingdom
US	United States

Note on use of data and dates in the report

Note on data

For chapters 1 and 3 of this Report, the ACCC has calculated growth trends and use trends among Australian users of social media platforms between 2019 and 2022 by reference to mobile app data from Sensor Tower (unless otherwise stated). Consequently, most of this data does not include users on mobile web browsers, desktop browsers or connected TVs. The ACCC does not consider this materially affects our analysis, as data from Sensor Tower and SimilarWeb suggests that Australians predominantly access social media through a mobile app.²³

Figure 1.1: Time spent by device mobile app vs desktop vs mobile web 2022²⁴



²³ We consider this statement to be broadly applicable to the social media platforms which the ACCC has considered in this Report. We note exceptions are LinkedIn (which is accessed predominantly by Australian users through its desktop site) and Reddit (which is accessed frequently on desktop, mobile web browser and mobile app).

²⁴ Source: ACCC analysis of Sensor Tower and SimilarWeb data. This chart examines the time spent on mobile compared to desktop on various platforms; on app, on desktop and on mobile via browser using Sensor Tower data for the time spent by app and SimilarWeb data for the remaining data. The data is in respect of time spent on various platforms across January – December 2022, and was collected in February 2023. The ACCC recognises that, for some platforms, usage via channels (including web browser) other than the mobile app represents a significant share of total usage. Given the ACCC’s reliance on Sensor Tower data in many graphs in this report, it is possible that the number of users from these platforms will be understated in the monthly active user element of some charts, such as figure 1.3. The ACCC considers that, due to the fact that these platforms account for a small share of total usage compared to platforms with primarily mobile app use, correcting for this understatement in user numbers would not change the conclusions drawn about which platforms are the largest platforms in terms of monthly active users.

Note on dates

The information in this Report is up to date as at 17 March 2023 (unless otherwise stated). The ACCC notes that there have been several changes to social media platforms throughout the course of this Report (for example, the introduction of paid subscriptions and the acquisition of Twitter) and that some of the information contained in the report may be incorrect or outdated as a result of changes that occur between 17 March 2023 and the date of publication.

1. Social media platforms – overview and trends in Australia

Key points

- Social media services generally monetise consumer engagement through targeted advertising. In exchange, consumers are offered features and services that allow them to connect and share content with their social network.
- Social media platforms provide significant benefits to users (providing instantaneous connectivity to their social network), connections for small businesses (through growing and advertising to a consumer base online) and community organisations (by providing opportunities to enhance their public profile through social media, and to relevant information through social media with other users).
- Social media platforms have also seen the growing popularity of influencers, who produce content that increasingly attracts users to the platforms they use.
- Overall use of social media in Australia is growing. As of January 2023, there were 21.3 million active users of social media platforms, representing 81% of the total Australian population.²⁵
- On mobile apps, Meta has the most Australian users and time spent on its social media services, Facebook and Instagram. Total time spent on Meta’s platforms has increased between 2020 and 2022.²⁶ Facebook’s Australian active user numbers have continued to grow from 2019 to 2022, exceeding 21 million monthly active users in 2022.²⁷ As Facebook already has more than 80% of the total population of Australia as users, its size does not give it much room to grow. Instagram has more than 10 million monthly active users in Australia.²⁸
- YouTube’s active user numbers grew from 17.5 million monthly active users in 2019 to 21 million monthly active users in 2022.²⁹
- TikTok experienced the strongest growth in active user numbers from 2 million monthly active users in 2020 to more than 9.5 million monthly active users in 2022.³⁰
- Australian users aged 18–24 are more likely to engage frequently with multiple social media platforms. As Australians get older, the proportion of the population that use social media tend to use fewer platforms and predominantly use Facebook.

²⁵ Source: S Kemp, [Digital 2023: Australia](#), *Datareportal*, 9 February 2023, accessed 14 March 2023.

²⁶ Source: ACCC analysis of Sensor Tower data. This is based on ABS population data for 2021 of 20,193,728. This will include some users who don’t use these services and will therefore be an average across all members of the population. Source: Australian Bureau of Statistics, [National, state and territory population](#), June 2022, accessed 14 March 2023.

²⁷ Source: Sensor Tower data.

This chapter provides an overview of the business model of social media platforms; how they are used by consumers, businesses, and influencers; trends in their usage and the evolution of social media platforms over time. It is structured as follows:

- **Section 1.1** provides an overview of the business model of social media platforms and the key users of the platforms. This section also describes how the features and services that they offer have evolved over time, and the benefits that social media platforms provide to Australian consumers, businesses, community organisations and influencers.
- **Section 1.2** provides an overview of the key social media platforms Facebook, Instagram, TikTok, Twitter, and Snapchat including data on their overall use in Australia. This section also provides an overview of other social media platforms, including YouTube, LinkedIn, Pinterest, Reddit and BeReal.
- **Section 1.3** provides an overview of social media usage trends, including time spent by Australians, growth of social media platforms across 2019–2022, the reasons why consumers use social media platforms, and consumer engagement trends examined by demographic.
- **Section 1.4** provides an overview of observed business strategies and behaviours related to product ecosystems, as they apply to social media platforms.

1.1. The business model and evolution of social media platforms

In general, the business model of social media platforms predominantly relies on monetising user attention and user data through targeted display advertising. To earn significant revenue from advertising a social media platform needs to attract high levels of user time from a wide population.

There are different users of social media platforms, which can generally be split into the following 5 key interest groups:

- **Consumers:** Social media platforms allow consumers to connect and communicate with other users. Typically, social media platforms charge a zero monetary price to consumers for access to a social media platform. The zero monetary cost enables social media platforms to attract many consumers onto their platform and reach scale. However, consumers effectively pay for use of social media platforms by allowing the platform to collect their data, and by viewing display advertising while engaging with content shown on the platform.³¹
- **Advertisers:** Social media platforms sell display advertising opportunities to advertisers (including businesses). This can include very specific targeting based on data on users' activity both on and off the platform. Specifically, social media platforms sell advertising space where content such as text, images, videos and links to other websites can be inserted. Display advertising content can appear in various advertising formats including banners, video ads, promoted posts or any other format a platform uses to deliver content directly to its users. The services provided to

²⁸ Source: Sensor Tower data.

²⁹ Source: Sensor Tower data.

³⁰ Source: Sensor Tower data.

³¹ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 43; OECD, [Background Note: Competition in Digital Advertising Markets](#), 2020, pp 25–26.

consumers at a zero monetary price are generally funded through revenue from display advertising.

Display advertising is shown to users as they engage with content shown by platforms. To offer targeted advertising opportunities, a social media platform must attract many users and build a rich data set about these users. Display advertising will be considered in greater detail in chapter 2.

- **Businesses:** Some social media platforms allow businesses to create a business profile, and to increase their reach by using their business profile to reach consumers using that platform (including making content such as posts discoverable with other users on the platform). Businesses can also purchase display advertising opportunities (as discussed further below).
- **Publishers:** A variety of businesses known as publishers rely on social media platforms to host their online content, or to provide referral traffic to their website which can then be monetised by displaying advertising to these users.³² Examples of publishers can include online classifieds services and news organisations with an online presence.³³ The ACCC notes that various news organisations including FreeTV, Nine, ABC and SBS submitted that social media platforms are an important conduit for sharing content with broader Australian audiences.³⁴
- **Influencers:** Social media platforms have also facilitated the rise of influencers, or prominent social media content creators. Influencers form a separate group of users from consumers; like businesses and publishers, influencers use social media to make original and sponsored content discoverable to users on a platform. Further discussion about the role influencers play in engaging users on social media platforms is discussed below.

1.1.1. Content innovation, consumer attention and display advertising

Social media platforms can compete for consumers by offering new features and formats for content to be shared within a consumer's social network. A social media platform can attract and develop a 'core' user base that gravitates towards its the format of its content, or its particular features. For example, some consumers may engage more and share short form video content on platforms such as TikTok, while others may engage with and share posts with public figures on a platform like Twitter.

Content formats and features that are highly engaging are likely to result in individual consumers spending more time on a particular social media platform.³⁵ Consumer attention is vital for social media platforms to realise monetisation opportunities through display advertising. The more time each consumer spends engaging with content on a

³² UK Competition and Markets Authority, [Online platforms and digital advertising market study, Appendix S: The relationship between large digital platforms and publishers \(1.7.20\)](#), 1 July 2020, pp S1–S2.

³³ UK Competition and Markets Authority, [Online platforms and digital advertising market study, Appendix S: The relationship between large digital platforms and publishers \(1.7.20\)](#), 1 July 2020, p S1.

³⁴ Free TV Australia, [Submission to the Report](#), 12 October 2022, p 2; Nine Entertainment Co., [Submission to the Report](#), 12 October 2022, p 1; ABC, [Submission to the Report](#), 12 October 2022, pp 1-2; SBS, [Submission to the Report](#), 12 October 2022, p 1.

³⁵ Percepto, [How Social Media and the Shrinking Consumer Attention Span Are Connected – And What That Means for Video Content Marketers](#), accessed 14 March 2023.

social media platform, the greater the number of opportunities there are to show advertising to consumers, which in turn increases advertising inventory.³⁶

Social media platforms can collect a great depth of user information, including how a user engages with content shown on the platform (engagement data). Social media platforms use this data to understand their user's interests, activities, interests, location, and demographics, and in turn monetise this data by allowing advertisers to target particular types of users based on their engagement data.³⁷

Social media platforms are better able to generate revenue from display advertising if there are more users. For example, a large user base provides a social media platform with a greater supply of advertising opportunities that can be sold to advertisers. In addition, the quality and quantity of user engagement data increases as more users spend more time engaging with a platform. This leads to better advertising targeting services and a stronger ability for platforms to price advertising based on the targeting of specific audiences.

Social media platforms deliver content for consumption in a centralised 'feed' which is sorted by algorithm in a variety of ways to increase user engagement. This includes curating content on a feed from profiles that a user has chosen to follow (such as family, friends or influencers) or by reference to content that is similar to what a user has already viewed.³⁸ Some examples include Facebook's 'Timeline', Instagram's 'Home Page' and TikTok's 'For You' page. Social media platforms generally show users curated content (both organic or user-driven content and display advertising content) in the feed.³⁹ Users may engage with content appearing on a feed by actions including 'liking' or commenting on it.

Advertising that appears alongside organic content that users are already likely to engage with has a good chance of attracting the attention of users and can therefore be an effective option for advertisers. For advertisers, this would deliver 'a greater return on their investment as their (advertisements) will be viewed more often by their intended audience,' and in turn could lead to a greater rate of conversion to sales.⁴⁰ For consumers, the targeted nature of display advertising on social media platforms means that they are less likely to see irrelevant advertising content. In some cases, consumers may be recommended products and services they are highly interested in.⁴¹

Social media services also earn revenue from other sources, for example:

- platforms such as Facebook, Instagram, Snapchat, YouTube, Twitter, and LinkedIn have premium subscription offerings which come at a monetary cost to users

³⁶ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 46.

³⁷ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 45.

³⁸ The ACCC notes that social media platforms may be moving towards showing users content from outside their social networks. For example, TikTok's 'For You' feed uses an algorithm that identifies and recommends content to users outside their social network, exposing them to people or pages they do not already actively follow. See M Greenwald, '[Audience, Algorithm And Virality: Why TikTok Will Continue To Shape Culture In 2021](#)', *Forbes*, 1 April 2021, accessed 14 March 2023. Twitter is also offering a new 'For You' tab to promote trending topics that include content from profiles that may not be known or followed by a Twitter user. Source: M Narvlakha, '[Twitter's rolling out its own TikTok-style For You page](#)', *Mashable*, 10 January 2023, accessed 14 March 2023.

³⁹ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 45; OECD, [Background Note: Competition in Digital Advertising Markets](#), 2020, p 16.

⁴⁰ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 45.

⁴¹ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 45.

- TikTok’s revenue from livestreaming is increasing.⁴²

1.1.2. Social networking and the social graph

Social media services initially developed with an emphasis on connecting and sharing content with user’s social networks. SixDegrees.com, Friendster, and MySpace sought to combine features that were previously offered through separate online web pages, such as customised user profiles, the curation of a user’s friend list and the ability to browse friend lists of other users. These features were again synthesised by social media platforms like Facebook and Instagram that sought to ‘digitally connect their users to the network of people they know and their mutual friends.’⁴³ Algorithms would make recommendations for users to ‘friend’ or follow other users based on their existing network (or social graph)⁴⁴ within the platform.⁴⁵ Over time, other social media platforms emerged to provide newer ways for users to communicate and connect on a platform:

- Facebook was founded in 2004 as a social networking site for Harvard University students, later expanding to include other universities, high schools, and corporate users.⁴⁶ Facebook initially offered a platform where users could create individual profiles, upload photos, connect with other users and share their interests through posts within their social network.
- Twitter was founded in 2006 as a microblogging service allowing users to search and share public posts (tweets) on the platform, limited to 140 characters.⁴⁷ Twitter’s default use of public tweets allowed users to follow friends as well as profiles outside their social network, such as high-profile journalists, academics, and politicians.⁴⁸
- Instagram was founded 2010 as a photo and video content sharing app, allowing users to share and comment on content within their network of friends on the platform.⁴⁹
- Snapchat was founded in 2011 as a platform that enabled users to post disappearing photos and videos within their network of Snapchat friends.⁵⁰
- TikTok was launched in 2017, allowing users to create, watch and share 15-second videos.⁵¹

Social media platforms have tended to introduce display advertising as a service several years after their launch date. As discussed above in relation to targeted advertising, large user bases are more attractive to advertisers. In 2007, Facebook introduced display

⁴² C Stokel-Walker, ‘[TikTok’s livestreaming business is exploding](#)’, *Gizmodo*, 13 October 2022, accessed 14 March 2023.

⁴³ Cornell University, ‘[The Shift From Social Graphs to Socio-Interest Graphs within Social Media Algorithms](#)’, 12 September 2022, accessed 14 March 2023.

⁴⁴ A social graph is a visual representation of the interconnections a user has with other users and groups on social media platforms. The concept of a social graph can be used in AI algorithms employed by social media platforms to recommend profiles for a user to follow or influence content (including sponsored content) shown to a user. See Cornell University, ‘[The Shift From Social Graphs to Socio-Interest Graphs within Social Media Algorithms](#)’, 12 September 2022, accessed 14 March 2023.

⁴⁵ Cornell University, ‘[The Shift From Social Graphs to Socio-Interest Graphs within Social Media Algorithms](#)’, 12 September 2022, accessed 14 March 2023.

⁴⁶ Facebook, ‘[Welcome to Fb, everyone](#)’, 26 September 2006, accessed 14 March 2023.

⁴⁷ Twitter, ‘[Counting Characters](#)’, accessed 14 March 2023.

⁴⁸ Twitter, ‘[About public and protected Tweets](#)’, accessed 14 March 2023.

⁴⁹ TechCrunch, ‘[Instagram launches with the hope of igniting communication through images](#)’, 7 October 2010, accessed 14 March 2023.

⁵⁰ B O’Connell, ‘[History of Snapchat: Timeline and Facts](#)’, *TheStreet*, 28 February 2020, accessed 14 March 2023.

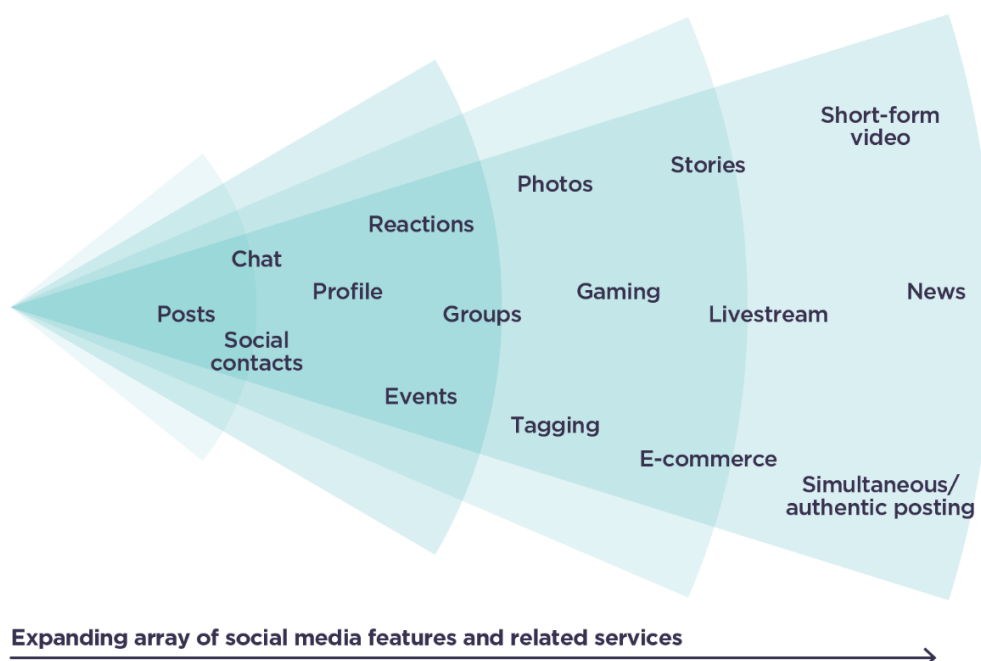
⁵¹ D D’Souza, ‘[TikTok: What It Is, How It Works, and Why It’s Popular](#)’, *Investopedia*, 7 February 2023, accessed 14 March 2023.

advertising on its platform through its Facebook Ads service, allowing businesses and brands to advertise on the Facebook platform.⁵² In 2010, Twitter introduced Promoted Tweets, allowing advertisers to pay for tweets that appeared when a user searched for tweets or Twitter accounts.⁵³ TikTok introduced paid advertising on its platform in 2019.⁵⁴

1.1.3. New features of social media platforms

Over time, social media platforms have evolved to provide more features and services beyond their core service of facilitating communication and sharing content with a user’s social network. The ways in which consumers can use social media has evolved as developments in technology have facilitated the introduction of a broad range of new services:

Figure 1.2: Expanding array of social media features and related services⁵⁵



In some cases, new services may be bundled with the core service offered by social media platforms. Examples of this include the provision of events pages, gaming, and e-commerce services on Facebook.

In other cases, innovation in user experience, design and marketing has allowed social media platforms to introduce new formats for sharing and posting content. There have been instances where competitors have responded by offering similar features shortly after, for example:

- short-form video content, made popular by TikTok, alongside similar features offered by Meta (Facebook and Instagram Reels), Snapchat (Snapchat Spotlight) and YouTube (YouTube Shorts)

⁵² Meta, [Facebook Unveils Facebook Ads](#), 6 November 2007, accessed 14 March 2023.

⁵³ Twitter, [Promoted Tweets in timelines](#), 25 October 2011, accessed 14 March 2023.

⁵⁴ B Chandlee, ['Understanding our policies around paid ads'](#), *TikTok*, 4 October 2019, accessed 14 March 2023.

⁵⁵ ACCC, [Digital Platform Services Inquiry, Issues Paper to the Report](#), 16 August 2022, p 6.

- a recent update by TikTok that requests users to post short-form video content before viewing similar content from their social network. It is reported that this feature is like BeReal’s requirement that users post a short video update at a predetermined time (i.e., simultaneous posting) to view similar content from their social network.⁵⁶

Over time, other types of platforms have adopted features often associated with social media. Amazon’s Twitch livestream video sharing service includes a direct messaging service that allows users to communicate while watching a live-stream video.⁵⁷

1.1.4. The role of influencers

Influencers are important to platforms, as they can attract users and provide opportunities for users to engage with their content, potentially increasing the value of a particular platform to users.⁵⁸ Platforms compete to attract influencers through programs that fund them. Platforms also provide influencers educational material and resources to help influencers grow their number of followers and increase engagement with their posts.⁵⁹ This can also advantage social media platforms, as it can result in increased user engagement on the platform. Separately, platforms can also pay influencers to produce content; in particular, content that the platform considers will be attractive to users of that platform.⁶⁰ Meta’s earnings calls indicate that there is competition for influencers on platforms, with influencers often being on multiple social media platforms. In response to competition for influencers between social media platforms, Meta considers that its monetisation and advertising tools, as well as its distribution provide an advantage over other platforms.⁶¹ The ways platforms remunerate influencers is further discussed in chapter 5.

1.1.5. Benefits of social media platforms

Social media platforms provide consumers with the benefit of instantaneous connectivity with anyone in their social network. This can be particularly advantageous where a user’s social network spans across numerous countries, or where a user may be time-poor and prefer keeping up to date on friends and family at a time of their choosing.⁶² Social media platforms including Facebook, Pinterest and Reddit allow for users to join both public and private (or invitation-only) ‘groups’ based on common interests, allowing for a users’ feed to include content specific to their interests.

Businesses of all sizes have benefited from the capacity to establish an online presence through business profiles on social media platforms, allowing them to engage directly with customers. In addition, the display advertising services offered by social media platforms have enabled businesses to advertise to relatively small groups of relevant consumers through granular targeting options. This has allowed many small businesses

⁵⁶ TikTok, [Introducing more ways to create and connect with TikTok Now](#), 15 September 2022, accessed 14 March 2023.

⁵⁷ D Delfino, ‘What is Twitch?: Here’s what you need to know about the world’s leading live-streaming platform for gamers’, *Insider*, 12 June 2020, accessed 14 March 2023.

⁵⁸ K Dean, [The Role of Social Media Influencers](#), *Manobyte*, 2023, accessed 14 March 2023.

⁵⁹ Meta, [Grow – Connect with fans and build your community](#), accessed 14 March 2023.

⁶⁰ An example of this is the TikTok Creator Fund, which pays influencers based on the number of views their posts receive. The ACCC understands that the TikTok Creator Fund is yet to be established in Australia. See TikTok Newsroom, [TikTok Creator Fund – Your Questions Answered](#), *TikTok*, 25 March 2021, accessed 14 March 2023.

⁶¹ Meta, [Q2 2021 Earnings Call](#), 28 July 2021, accessed 14 March 2023.

⁶² Deloitte, [Media Consumer Survey 2022](#), 24 October 2022, accessed 14 March 2023.

to grow their consumer base and gain visibility at less cost than would otherwise be the case (see chapter 2 for additional detail).⁶³

Influencers have also benefited from access to platforms that allow them to create and share original content with other users. Over time, influencers have been able to generate income, with 49% of Instagram influencers reporting earning an income from their accounts according to a 2021 global survey.⁶⁴

Community organisations have benefitted from being able to create public profiles on Facebook (including through Facebook Groups) and Twitter and share posts and updates with their members through social media. In rural and regional Australia, social media can play a vital role in disseminating information through geographically broad communities, such as sharing evacuation information during natural disasters.⁶⁵ The importance of social media during natural disasters is discussed further in chapter 3.

1.2. Overview of social media platforms and recent trends

This section provides an overview of large social media platforms that operate in Australia. The discussion of each platform includes how they are used by businesses, publishers, and influencers; a description of growth trends among Australian users from 2019–2022; and a discussion of the evolution of features on the platforms.

Between 2019 and 2022 the following key trends can be observed:

- Meta has the highest active user numbers across its social media services, Facebook and Instagram. Facebook’s Australian active user numbers have grown from 20.5 million monthly active users in 2019 to more than 21 million monthly active users in 2022.⁶⁶ Instagram’s active user numbers between 2019 and 2022 have remained at 10 million monthly active users.⁶⁷
- TikTok is the only large monetised social media platform that has grown significantly in this period of time, increasing by 8 million monthly active users from 2 million to 10 million between 2019 and 2022. YouTube’s active user numbers increased from 17.5 million to 20 million between 2019 and 2022.⁶⁸
- Pinterest, Snapchat, Twitter, Reddit, LinkedIn and BeReal all have significantly fewer Australian monthly active users compared to Facebook, YouTube, Instagram and TikTok.⁶⁹

⁶³ Sociable Media, [Everything You Need to Know About the Cost-Effectiveness of Social Media Marketing](#), accessed 14 March 2023.

⁶⁴ N Baklanov, 'Our Survey Data of 1865 Instagram Influencers', *Hype – Journal*, accessed 14 March 2023.

⁶⁵ D Doshi and N Schneidman, '[From resilient cities to resilient citizens: the use of Facebook groups during disasters](#)', *Field Actions Science Reports*, 18 (2018), accessed 14 March 2023.

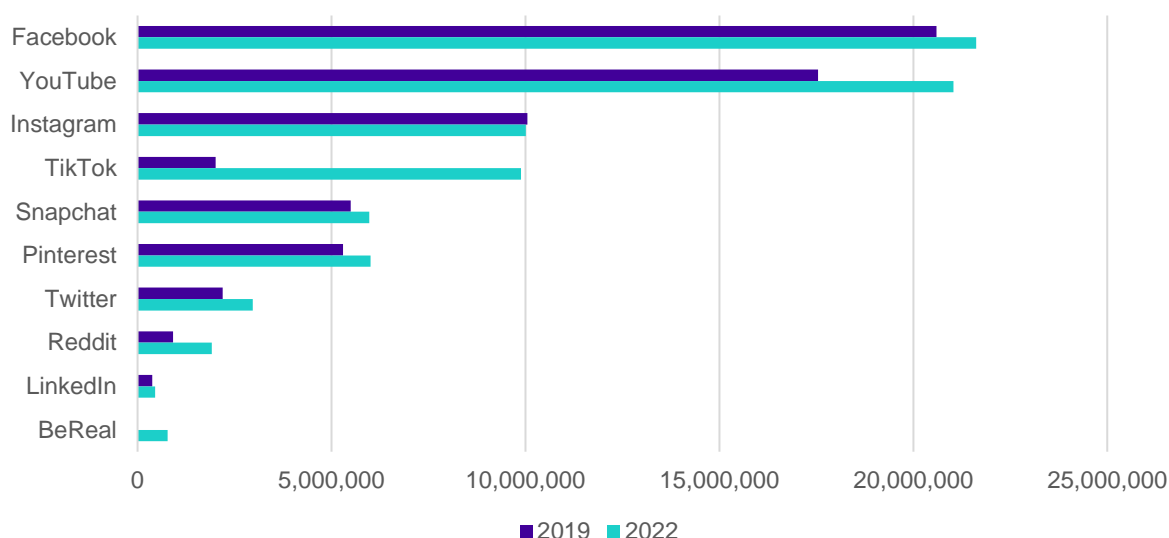
⁶⁶ Source: Sensor Tower data.

⁶⁷ Source: Sensor Tower data.

⁶⁸ Source: Sensor Tower data.

⁶⁹ Source: Sensor Tower data.

Figure 1.3: Average monthly active users by social media platforms, 2019 vs 2022⁷⁰



1.2.1. Facebook (Meta)

Facebook allows users to communicate and share content by uploading text, photo, or multimedia posts that appear in the feed of a user's 'Facebook friends' (social network). Users can interact with content shown in the feed by liking, commenting, and sharing posts to other Facebook users. They can choose to connect with individuals via friend requests or by 'following' a user's profile page, and by connecting with businesses, publishers, public profiles or interest and community groups that appear on the Facebook Groups tab.⁷¹ Users can also connect through other services such as Facebook Events (where users schedule social or digital events with other users) and Facebook Marketplace (allowing users to connect to buy and sell second-hand items).⁷²

A user's feed is curated to show posts from their Facebook friends, followed pages, Facebook Groups and content recommended via algorithm.⁷³ Users do not pay a monetary price to access Facebook; however, the platform is monetised through targeted display advertising. In March 2023, Meta launched 'Meta Verified', a subscription model for both Facebook and Instagram aimed at influencers. The subscription, which costs US\$11.99 per month on the desktop sites and US\$14.99 on iOS and Android apps, allows users to access a verified badge, impersonation protections and an exclusive customer support system.⁷⁴

⁷⁰ Source: ACCC analysis of Sensor Tower data. This chart reflects the yearly average of Australian monthly active users of social media platforms in 2019 and 2022. This chart is based on Sensor Tower data, which captures monthly active users who have downloaded the relevant social media apps on their mobile device through the Apple App Store or Google Play Store. Included in this chart is monthly active user data for platforms such as LinkedIn and Reddit, which may have higher usage figures through web browser. As referenced at figure 1.1, the ACCC does not consider any potential understatement in user numbers to materially impact conclusions about which platforms are the largest platforms in terms of monthly active users.

⁷¹ Facebook, [Using Facebook: Groups](#), accessed 14 March 2023.

⁷² Facebook, [How Marketplace Works](#), accessed 14 March 2023.

⁷³ Facebook, [How Feed Works](#), accessed 14 March 2023.

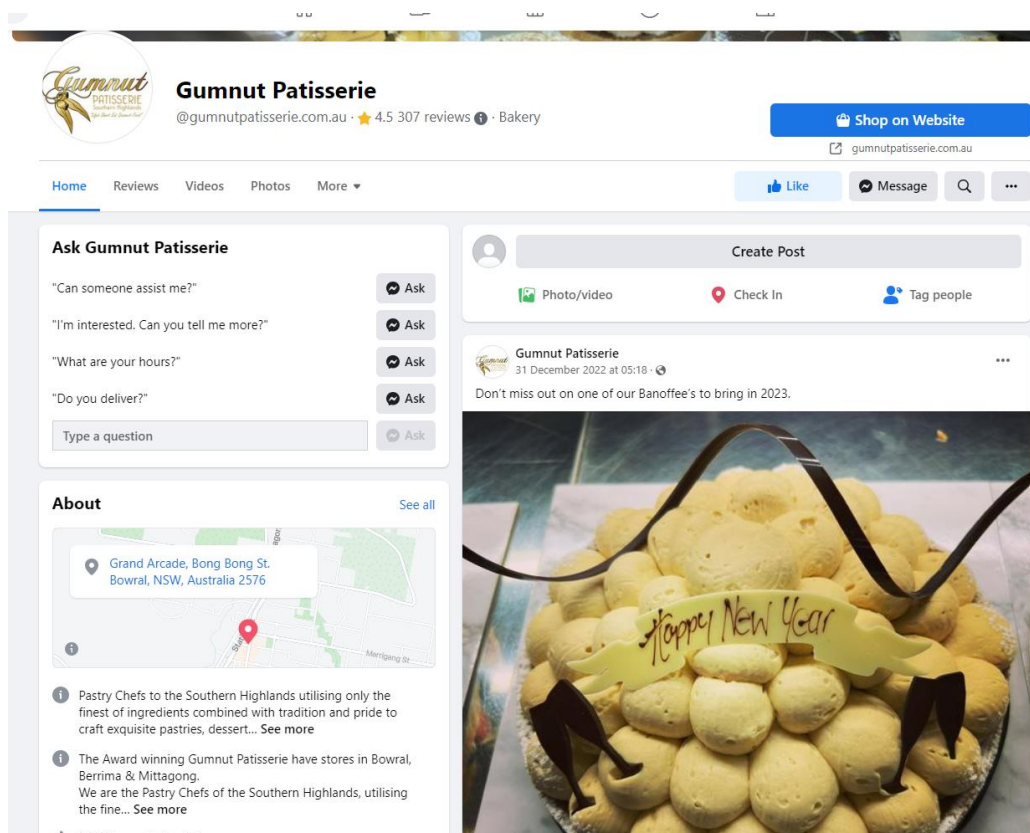
⁷⁴ Meta, [Introducing Meta Verified](#), accessed 17 March 2023.

The ACCC notes that Meta also supplies online private messaging services through WhatsApp and Facebook Messenger. While online private messaging services do have some social media characteristics these services were the focus of the Report on Online Private Messaging Services, and the ACCC has not considered them in detail as part of this Report. The differences offered by social media services and online private messaging services is discussed further in section 3.2.1.

How businesses use Facebook

Businesses can reach consumers and provide information about their services through a Facebook Page. A Facebook Page can also include a direct link to a business' website. As shown in the screenshots below, a Facebook Page allows a business to communicate with customers about trading hours, products, and promotions. Users that follow their page will receive posts made by the businesses' Facebook Page on their feed.⁷⁵

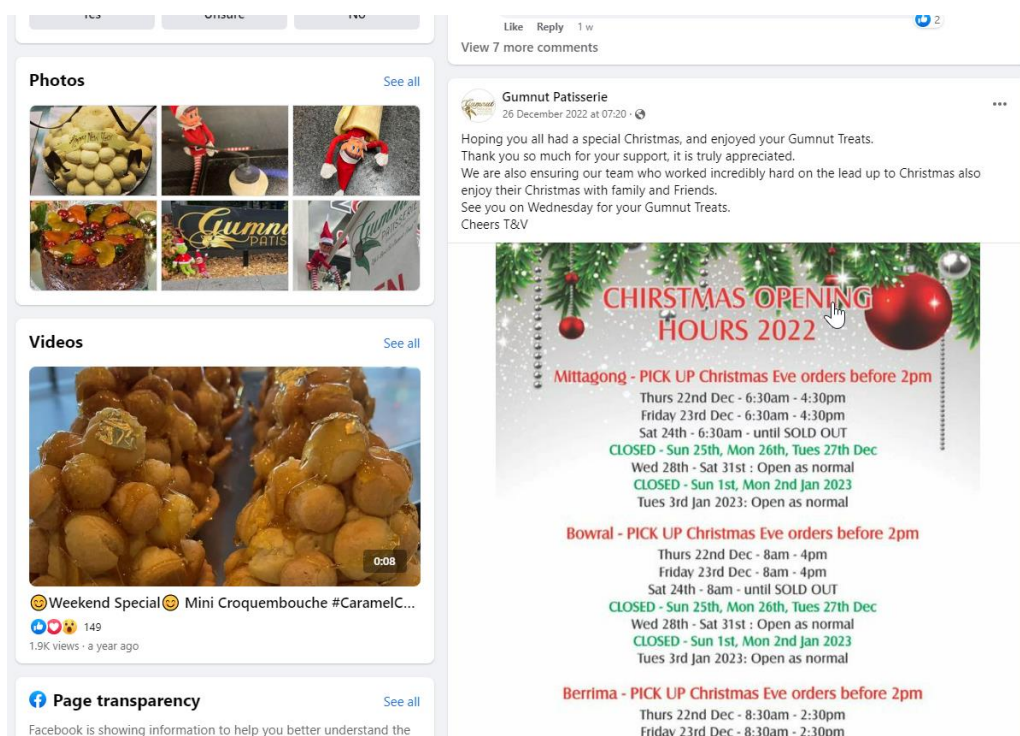
Figure 1.4: Screenshot 1 of 2 of Facebook Page of an Australian retail business⁷⁶



⁷⁵ Facebook, [Create and manage a Page](#), accessed 14 March 2023.

⁷⁶ Facebook page for Australian small business [Gumnut Patisserie](#), accessed 3 January 2023.

Figure 1.5: Screenshot 2 of 2 of Facebook Page of an Australian retail business⁷⁷



Businesses will also often bid to appear in display advertising opportunities that promote their products or services to Facebook users. While a variety of businesses advertise on Facebook, the platform is particularly beneficial to small businesses. Facebook facilitates targeted advertising based on demographics, interests or other profile information captured through engagement data. Small businesses can use this tool to target campaigns to a particular demographic.⁷⁸ Given the capacity to target campaigns a large advertising spend is not required, hence why advertising costs on Facebook are substantially lower with those associated with traditional media.⁷⁹

Facebook is an important tool for Australian businesses to develop their public profile and for advertising opportunities. Globally, over 200 million businesses use Meta’s services (including Facebook and Instagram) to connect with consumers.⁸⁰

Facebook introduced Marketplace in 2016, connecting users within a geographic location to buy, sell and trade items. Some businesses, including car dealerships, use Facebook Marketplace to advertise products to users.⁸¹ Facebook Shops, another feature introduced in 2020, allows businesses to create an online store through the Facebook mobile app.

⁷⁷ Facebook page for Australian small business [Gumnut Patisserie](#), accessed 3 January 2023.

⁷⁸ UK Competition and Markets Authority, [Online platforms and digital advertising market study Final Report](#), 1 July 2020, p 42.

⁷⁹ TechGuide, [7 benefits of Facebook marketing for small businesses](#), 29 September 2021, accessed 14 March 2023.

⁸⁰ Meta, [Q4 2020 Results Conference Call](#), 27 January 2021, accessed 14 March 2023. See also Instagram, [Get your business started on Instagram](#), accessed 14 March 2023.

⁸¹ Facebook, [About dealership inventory on Marketplace](#), accessed 14 March 2023.

How publishers use Facebook

Publishers, including news organisations, often post content on their Facebook Page to reach users and refer those users back to their website and apps through embedded links. Many news organisations in Australia consider Facebook's large audience as an important source of referral traffic for content on their own websites.⁸² Approximately 56% of Facebook users in Australia use the service to access news content.⁸³

How influencers use Facebook

Influencers use Facebook to share content in much the same way an individual user would, posting written and image or video-based content that will appear in another user's feed. Influencers may post sponsored content, including posts with branded content tags and links to Facebook Shop pages of an affiliate business. Live video posts may also feature sponsored product tutorials or promotions. Additionally, influencers can host community groups to forge relationships with their audience and increase their visibility.⁸⁴

In October 2022, Facebook introduced 'professional mode' for profile pages, allowing influencers to monetise through in-stream advertisements displayed before, during and after video content they create and post.⁸⁵ Influencers can also monetise their Facebook profile pages through a monthly subscription offered to users in exchange for exclusive content, such as subscriber-only live videos.⁸⁶

⁸² Free TV Australia, [Submission to the Report](#), 12 October 2022, p 6; Nine Entertainment Co., [Submission to the Report](#), 12 October 2022, p 1; ABC, [Submission to the Report](#), 12 October 2022, p 2; SBS, [Submission to the Report](#), 12 October 2022, p 5.

⁸³ ACMA, Annual Consumer Survey, Survey period June 2022, QE15, unpublished.

⁸⁴ Openinfluence, [The Ultimate Guide to Facebook Influencer Marketing](#), 6 May 2021, accessed 14 March 2023.

⁸⁵ Meta, [Announcing the global expansion of professional mode](#), 31 October 2022, accessed 14 March 2023.

⁸⁶ Meta, [Subscriptions](#), accessed 14 March 2023.

Figure 1.6: Key business statistics – Facebook

Key business statistics – Facebook	
Year of entry (including Australia)	Founded in 2004, with growth first in colleges and high schools. Facebook was introduced to Australian universities in 2005 and launched globally to all users in 2006.
Key acquisitions	Facebook has made up to 100 acquisitions since its founding, including: <ul style="list-style-type: none"> ▪ private messaging platform WhatsApp for US\$19 billion in 2014 ▪ photo and video-sharing social media app Instagram for US\$1 billion in 2012 ▪ mobile web analytics firm Onavo for US\$100–200 million in 2013 ▪ virtual reality company Oculus VR for US\$2 billion in 2014.⁸⁷
Global revenue (Meta)	US\$116.6 billion (2022). ⁸⁸
Australian advertising revenue	For Facebook and Instagram, Australian revenue derived from advertising services FY21–22: between A\$4.7 billion and \$5.1 billion. ⁸⁹
Global market capitalisation (part of Meta)	US\$538.8 billion. ⁹⁰
Number of users (Australia)	21,682,251 average monthly active users (2022). ⁹¹
Number of Australian advertisers on Meta (Facebook and Instagram) for the month of September 2022	Between 150,000–200,000. ⁹²

⁸⁷ Subcommittee on Antitrust, Commercial and Administrative Law, [Investigation into competition in digital markets: Majority staff report and recommendations](#), 11 November 2020, accessed 14 March 2023, pp 422-429. See also Crunchbase, [List of Meta's 100 Acquisitions](#), accessed 14 March 2023.

⁸⁸ Meta, [Quarterly Earnings Q4 2022: Earnings Release](#), accessed 14 March 2023.

⁸⁹ Information provided to the ACCC. The ACCC notes that advertising revenue figures for Facebook and Instagram in Australia relate to the amount of advertising revenue from customers in Australia based on the location of the invoiced party (which may differ from the country in which the advertisements are shown). The ACCC understands that these figures are not recorded in the ordinary course of business by Facebook Australia and are not audited, verified or otherwise reported on. As such, the ACCC considers that these are approximate estimates of relevant advertising revenue attributable to Australia for Facebook and Instagram.

⁹⁰ Nasdaq, [Meta Platforms, Inc. Class A Common Stock \(META\)](#), accessed 31 March 2023.

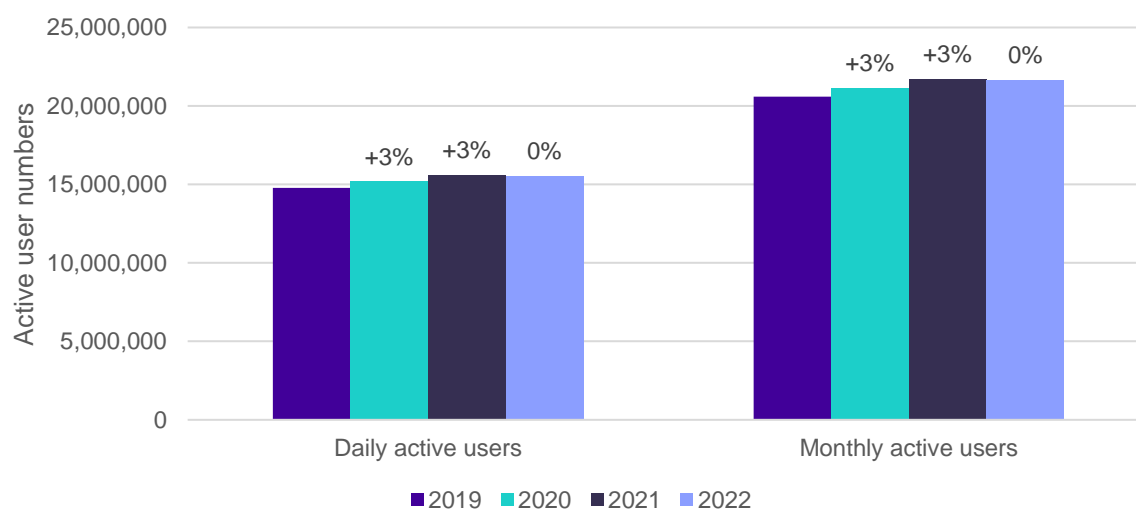
⁹¹ Source: Sensor Tower data.

⁹² Information provided to the ACCC. The ACCC notes that this information was approximated by Meta based on the billing country of the advertiser. This may not always accurately reflect the advertiser's actual location. For example, it is possible that non-Australian advertisers could choose to be billed in Australia (or vice versa). This data does not reflect the basis on which Meta records or reports this information to meet disclosure obligations or other legal requirements and Meta does not verify this self-reported information in the ordinary course of business. As such, the ACCC considers that these are approximate estimates of the number of Australian advertisers.

Growth and number of Australian users on Facebook

Despite the reported global increase in time spent on social media during the COVID-19 pandemic (between 2020 and 2022),⁹³ Facebook has experienced stable growth in Australian user numbers, with a growth rate of under 2% on average between 2019 and 2022.⁹⁴ This reduction in growth from earlier levels is unsurprising, given Facebook already had more than 80% of the total population⁹⁵ as users of its platform prior to the pandemic. Between 2019 and 2022 Facebook had the highest number of users of all social media platforms.⁹⁶

Figure 1.7: Average daily and monthly active users for Facebook from 2019 to 2022⁹⁷



⁹³ S Dixon, '[Social media use during COVID-19 world-wide – Statistics & Facts](#)', Statista, 18 October 2022, accessed 14 March 2023.

⁹⁴ Source: ACCC analysis of Sensor Tower data. The average increase of 2-3% has been identified as a consistent trend for daily and monthly active users on Facebook's mobile app, as an average across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023).

⁹⁵ Source: ACCC analysis of Sensor Tower data. Sensor Tower data estimates Facebook's total monthly active user numbers at 21,600,000 in 2022. According to the ABS, Australia's population was 25,890,773 as at 31 March 2022. Source: Australian Bureau of Statistics, '[National, state and territory population](#)', June 2022, accessed 14 March 2023.

⁹⁶ Source: ACCC analysis of Sensor Tower data. This statement refers to average daily and monthly active user figures between 2019 and 2022 on Facebook's mobile app.

⁹⁷ Source: ACCC analysis of Sensor Tower data. This chart is based on Sensor Tower data, which captures Australian daily and monthly active users who have downloaded Facebook on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on Facebook's mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, nearly 90% of the total time spent by Australian users from January to December 2022 was on its mobile app.

Evolution of features on Facebook

Facebook has sought to introduce new ways of communicating between its users through acquisitions and the development of new features. Some of Facebook's more recent features include:

- 2017: Facebook Stories was introduced (with a similar Instagram Stories update for Instagram), allowing short-form video content to be posted and shared between a user's followers or friends. 'Stories' was reportedly introduced to replicate Snapchat's service of sharing short-form video content as 'posts' and as a means of direct communication within a user's social network.⁹⁸ Unlike Snapchat, content posted on Stories does not immediately delete after being viewed.⁹⁹
- 2020: Facebook Gaming, a standalone gaming and streaming app, was launched in response to Amazon Twitch's gaming and streaming platform.¹⁰⁰ Facebook Gaming was discontinued as a standalone app in 2022 and integrated into the Facebook app.
- 2021: Facebook Reels was introduced to the platform, following a launch on Instagram the year prior. The Reels update allows for short-form video content to be shared to a broader public audience beyond a user's immediate social network. Users are, in turn, recommended reels based on an algorithm that feeds in user engagement data. The 'Reels' update appears to replicate TikTok's core service of discovering and sharing short-form video content from a broad range of influencers.¹⁰¹

1.2.2. Instagram (Meta)

Instagram is a photo and video sharing platform allowing users to follow one another and interact with photo or video posts via likes and comments. Instagram is monetised through targeted display advertising shown in between original photo or video posts. The app offers a 'Home' tab, displaying stories and posts from followed accounts as well as sponsored content. Instagram recommends content to users based on engagement data in the 'Home' tab, and through a separate Explore feed.¹⁰² Users can also label and search for content outside their social network via hashtags, which groups content around a particular topic. Instagram also includes an integrated direct messaging feature with group and video chat functionality, a Reels tab, and an in-built shopping service.¹⁰³ Meta also offers its 'Meta verified' monthly subscription service on Instagram for US\$11.99 via web browser, or US\$14.99 via iOS and Android, meaning that a user that wants to be verified on both of Meta's platforms can pay up to US\$29.98 per month to be verified on both Facebook and Instagram.¹⁰⁴

⁹⁸ K Wagner, "['Stories' was Instagram's smartest move yet: Can it become Facebook's next big business?](#)", Vox, 8 August 2018, accessed 14 March 2023.

⁹⁹ K Wagner, "['Stories' was Instagram's smartest move yet: Can it become Facebook's next big business?](#)", Vox, 8 August 2018, accessed 14 March 2023.

¹⁰⁰ Facebook, [Facebook Gaming](#), accessed 14 March 2023.

¹⁰¹ Meta, [Launching Reels on Facebook in the US](#), 29 September 2021, accessed 14 March 2023.

¹⁰² Instagram, [Shedding more light on how Instagram works](#), 8 June 2021, accessed 14 March 2023.

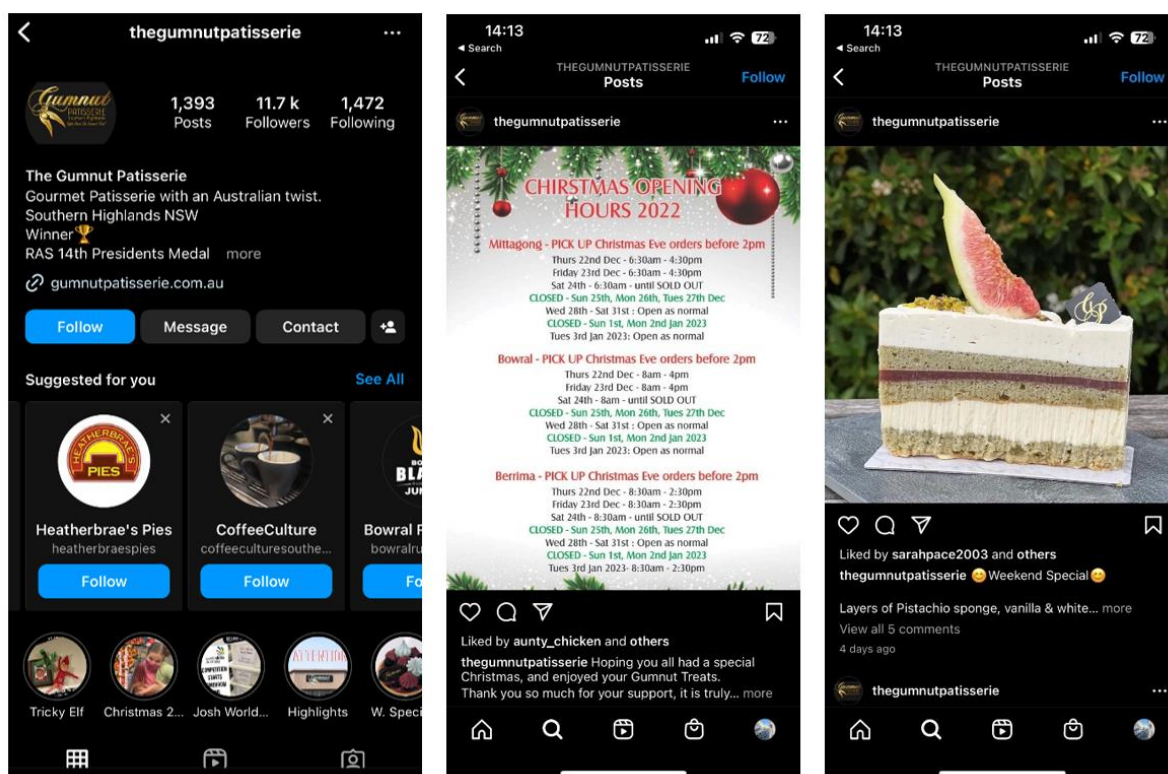
¹⁰³ Instagram Help Centre, [Shop](#), accessed 14 March 2023.

¹⁰⁴ Meta, [Introducing Meta Verified](#), accessed 17 March 2023.

How businesses use Instagram

As with Facebook, businesses use Instagram to host their own profile page to increase brand awareness. Users who follow a business on Instagram will receive posts from the business in their feed.

Figure 1.8: Screenshot of Instagram Page used by an Australian retail business¹⁰⁵



Businesses can also purchase targeted display advertising opportunities and engage in partnerships with 'brand ambassadors' (often influencers) to appear in sponsored posts. This can benefit small businesses, which can identify influencers most likely to capture their target or niche audience and strengthen their brand awareness.¹⁰⁶ Instagram's in-app shopping service allows users to discover and purchase products (through an in-built shopping cart service) linked to Instagram posts, hashtags, or stories.¹⁰⁷

How publishers use Instagram

Publishers are also able to set up an Instagram profile page to share online content with users and provide referral traffic to their websites and apps. News organisations including Nine¹⁰⁸, SBS¹⁰⁹ and the ABC¹¹⁰ consider Instagram to be an important platform for

¹⁰⁵ Instagram Pages screenshots for Australian small business, [Gumnut Patisserie](#), accessed 3 January 2023.

¹⁰⁶ Instagram Business, [Collaborate with Creators](#), accessed 14 March 2023.

¹⁰⁷ Instagram Business, [Instagram Shopping](#), accessed 14 March 2023.

¹⁰⁸ Nine Entertainment Co, [Submission to the Report](#), 12 October 2022, p 2.

¹⁰⁹ SBS, [Submission to the Report](#), 12 October 2022, pp 5–6.

¹¹⁰ ABC, [Submission to the Report](#), 12 October 2022, p 2.

disseminating online content.¹¹¹ Up to 28% of Australian Instagram users do so to access news content.¹¹²

How influencers use Instagram

Influencers, like other users, create and share photo and video posts on Instagram, however they are more likely to share sponsored content (such as product placement or brand collaboration posts)¹¹³ or affiliate links in their stories to earn revenue. Other typical campaigns include reviews and giveaway contests.¹¹⁴ Influencers can also, with prior agreement, take control of a business' ability to make Instagram posts (referred to as a 'takeover') to share promotional content with users, typically for around 24 hours.¹¹⁵ Influencers may choose to enable monetisation for in-stream advertisements shown in between their videos.¹¹⁶ Influencers can also offer monthly subscriptions, ranging from A\$0.99 to \$9.99, to offer exclusive posts, stories, livestreams, and chat opportunities for subscribed users.¹¹⁷

Figure 1.9: Key business statistics – Instagram

Key business statistics – Instagram	
Year of entry (including Australia)	Founded in 2010.
Australian advertising revenue (part of Meta)	For Facebook and Instagram, Australian revenue derived from advertising services FY21–22: between A\$4.7 billion and \$5.1 billion. ¹¹⁸
Number of users (Australia)	10,030,247 average monthly active users (2022). ¹¹⁹
Number of Australian advertisers on Meta (Facebook and Instagram) for the month of September 2022	Between 150,000 and 200,000. ¹²⁰

¹¹¹ Nine Entertainment Co, [Submission to the Report](#), 12 October 2022, p 2; SBS, [Submission to the Report](#), 12 October 2022, pp 5–6; ABC, [Submission to the Report](#), 12 October 2022, p 2.

¹¹² ACMA, Annual Consumer Survey, Survey period June 2022, QE15, unpublished.

¹¹³ Meta, [Branded content](#), accessed 14 March 2023.

¹¹⁴ Influencer Marketing Hub, [The Beginner's Guide to Influencer Marketing on Instagram in 2022](#), 11 January 2023, accessed 14 March 2023.

¹¹⁵ M Ruslanbekova, [What is an Instagram takeover? Benefits for businesses!](#), *Sociality.io*, 16 December 2020, accessed 14 March 2023.

¹¹⁶ Instagram, [Subscriptions](#), accessed 14 March 2023.

¹¹⁷ Meta, [Earn with subscriptions](#), accessed 14 March 2023.

¹¹⁸ Information provided to the ACCC. The ACCC notes that advertising revenue figures for Facebook and Instagram in Australia relate to the amount of advertising revenue from customers in Australia based on the location of the invoiced party (which may differ from the country in which the advertisements are shown). The ACCC understands that these figures are not recorded in the ordinary course of business by Facebook Australia and are not audited, verified or otherwise reported on. As such, the ACCC considers that these are approximate estimates of relevant advertising revenue attributable to Australia for Facebook and Instagram.

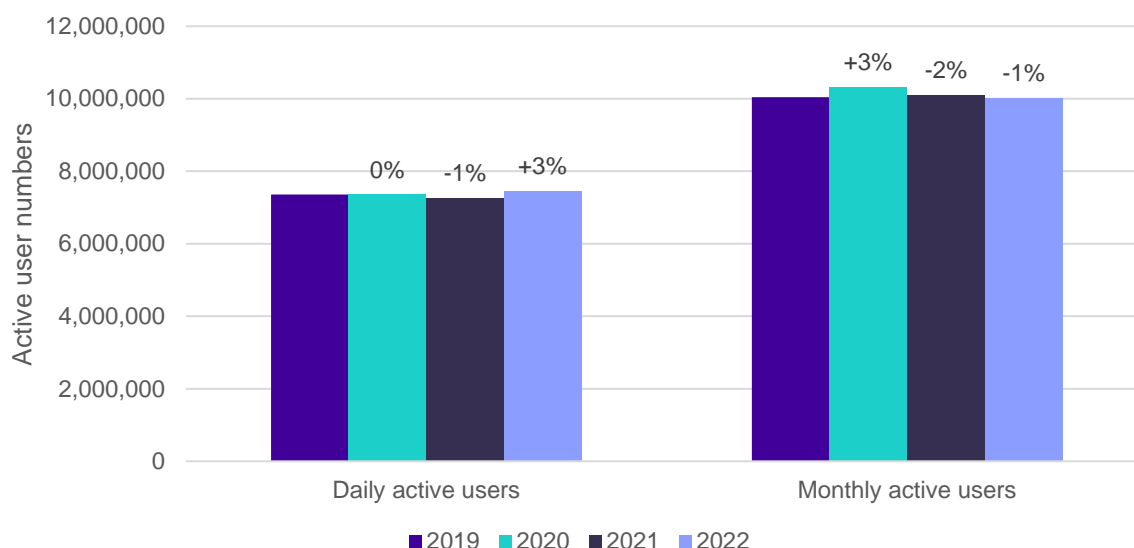
¹¹⁹ Source: Sensor Tower data.

¹²⁰ Information provided to the ACCC. The ACCC notes that this information was approximated by Meta based on the billing country of the advertiser. This may not always accurately reflect the advertiser's actual location. For example, it is possible that non-Australian advertisers could choose to be billed in Australia (or vice versa). This data does not reflect the basis on which Meta records or reports this information to meet disclosure obligations or other legal requirements and Meta does not verify this self-reported information in the ordinary course of business. As such, the ACCC considers that these are approximate estimates of the number of Australian advertisers.

Growth and number of Australian users on Instagram

Instagram grew quickly, gaining one million users within 2 months of launching in 2010. It was acquired by Meta (then Facebook) in 2012. Sensor Tower data suggests Instagram’s user numbers have remained stable since 2019 (including during the COVID-19 pandemic).¹²¹

Figure 1.10: Average daily and monthly active users for Instagram from 2019 to 2022¹²²



Evolution of features on Instagram

As mentioned above, several newer features introduced on Instagram appear to replicate services or features offered by other social media platforms. These include:

- 2016: Instagram Stories launched (a short-form video sharing within a user’s social network as facilitated by Snapchat).¹²³
- 2020: Instagram Reels launched (similar to TikTok’s popularised short-form video format, enabling content discovery and sharing from a broad range of influencers).¹²⁴

1.2.3. TikTok (ByteDance)

TikTok focuses on the hosting and sharing of short-form videos between users. Users can film or upload videos ranging from 3 seconds to 10 minutes in length, as well as image ‘slideshows’. Users can edit their content by altering speed, applying filters, and adding

¹²¹ Source: ACCC analysis of Sensor Tower data. The range in Australian user numbers refers to the average figures for daily and monthly active users on Instagram’s mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, more than 95% of the total time spent by Australian users from November 2021 to October 2022 was on its mobile app.

¹²² Source: ACCC analysis of Sensor Tower data. This chart is based on Sensor Tower data, which captures Australian daily and monthly active users who have downloaded Instagram on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on Instagram’s mobile app across the years 2019–2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, nearly 95% of the total time spent by Australian users from January to December 2022 was on Instagram’s mobile app.

¹²³ Instagram, [Introducing Instagram Stories](#), 2 August 2016, accessed 14 March 2023.

¹²⁴ Instagram, [Introducing Instagram Reels](#), 5 August 2020, accessed 14 March 2023.

music/soundbites over videos. The app curates a 'For You' feed for each user to promote videos based on their app activity, a 'Following' tab which displays videos from accounts the user follows, and a 'Friends' tab which displays videos exclusively from friends of the user (where both users follow each other).¹²⁵ There is a direct video-sharing and messaging feature, as well as a live broadcasting feature available to accounts with at least 1,000 followers. TikTok is monetised through display advertising, shown either in between user videos on the 'For You' feed or as an initial pop-up when the TikTok app is opened by a user. Unlike Instagram, TikTok's use of hashtags to label and search for content also extends to branded content.¹²⁶

TikTok represents a move from a focus on social graphs (referred to in section 1.1) to socio-interest graphs. Its algorithm seeks to determine a user's interest in new video content based on their current engagement 'using a socio-interest graph where interest in content is equally as important as people-to-people connections.'¹²⁷ For example, a user who engages with content from a particular creator (including a known user such as a friend) is likely to be interest in *either* content from the same creator or content related to a similar topic or theme.¹²⁸

How businesses use TikTok

As with Facebook and Instagram, businesses on TikTok can create and manage their own profile page (a Business Account) to share short-form video content and communicate directly with users. Businesses can purchase display advertising (such as video-based advertising space in the 'For You' feed or in pop-up screen formats). Businesses can also engage in popular content formats such as hashtag challenges. Given TikTok's popularity among young users, businesses and brands that advertise on TikTok often seek to target younger demographics.¹²⁹

How publishers use TikTok

Publishers can also set up a TikTok page to make their content discoverable to users and refer traffic to their websites and apps. Publishers including news organisations consider TikTok to be an increasingly important medium for making online content accessible and referring traffic to their sites.¹³⁰ In its submission, SBS notes that the short form video format popularised by TikTok has created 'consumer expectations for similar offerings, and impact(ed) how publishers ... produce content and allocate resources to meet the increasing demand' for short form content.¹³¹ Up to 18% of Australian TikTok users use the platform to access news content.¹³²

¹²⁵ TikTok, [Exploring videos](#), accessed 14 March 2023.

¹²⁶ TikTok for Business, [Branded Hashtag Challenge: Harness the power of participation](#), accessed 14 March 2023.

¹²⁷ Cornell University, [The Shift From Social Graphs to Socio-Interest Graphs within Social Media Algorithms](#), 12 September 2022, accessed 14 March 2023.

¹²⁸ Cornell University, [The Shift From Social Graphs to Socio-Interest Graphs within Social Media Algorithms](#), 12 September 2022, accessed 14 March 2023.

¹²⁹ S Schooley, [TikTok for Business: How You Can Use This Social Network](#), *Business News Daily*, 24 January 2023, accessed 14 March 2023.

¹³⁰ SBS, [Submission to the Report](#), 12 October 2022, p 5; ABC, [Submission to the Report](#), 12 October 2022, p 2.

¹³¹ SBS, [Submission to the Report](#), 12 October 2022, p 4.

¹³² ACMA, Annual Consumer Survey, Survey period June 2022, QE15, unpublished.

How influencers use TikTok

Influencers use TikTok to create and share video content (including sponsored content) that is discoverable to users on the 'For You' feed. Influencers who upgrade to a business account can add a link to their profile, often pointing to a landing page containing their affiliate links. Influencers may also work with businesses via the TikTok Shop Sellers program to recommend products in videos and livestreams and receive commission for any products sold. Influencers can post branded content, which is presented as a regular video with a 'Sponsored' badge.¹³³ The TikTok Pulse program also provides for advertisements to be run on videos, with eligible influencers (those with at least 100,000 followers) receiving 50% of revenue earned on those ads.¹³⁴ In 2021, TikTok introduced Tips and Gifts, allowing influencers to be paid directly by users via a TikTok profile (minus any payment provider fees).¹³⁵

Figure 1.11: Key business statistics – TikTok

Key business statistics – TikTok	
Year of entry (including Australia)	TikTok launched globally in September 2017, and in Australia in August 2018.
Key acquisitions	It has been reported that Bytedance acquired lip-syncing app Musical.ly in 2017 for between US\$800 million – \$1 billion. ¹³⁶
Global revenue	Reports suggest that TikTok's revenue was US\$9.4 billion in 2022. ¹³⁷
Australian advertising revenue	FY21–22: between A\$100 million and \$150 million. ¹³⁸
Market valuation	TikTok's market valuation was estimated at US\$300 billion in October 2022. ¹³⁹
Number of users (Australia)	10,058,190 average monthly active users (2022). ¹⁴⁰
Number of Australian advertisers for the month of September 2022	Less than 5,000. ¹⁴¹

Growth and number of Australian users on TikTok

TikTok has consistently been the most downloaded social media/photo and video sharing app since mid-2019.¹⁴² Sensor Tower data indicates strong user growth in Australia from

¹³³ TikTok, [Creator Marketplace](#), accessed 14 March 2023.

¹³⁴ TikTok, [TikTok Pulse: bringing brands closer to community and entertainment](#), 5 May 2022, accessed 14 March 2023.

¹³⁵ TikTok, [Tip a creator on TikTok](#), accessed 14 March 2023.

¹³⁶ P Mozur, [Musical.ly, a Chinese App Big in the U.S., Sells for \\$1 Billion](#), New York Times, 10 November 2017, accessed 14 March 2023.

¹³⁷ M Iqbal, ['TikTok Revenue and Usage Statistics \(2023\)'](#), *BusinessofApps*, 9 January 2023, accessed 14 March 2023.

¹³⁸ Information provided to the ACCC. The ACCC notes that advertising revenue ranges included in this Figure are estimates and are not based on data that is recorded during TikTok's ordinary course of business.

¹³⁹ Reuters, [TikTok owner ByteDance increases price of stock option buyback](#), 12 October 2022, accessed 14 March 2023.

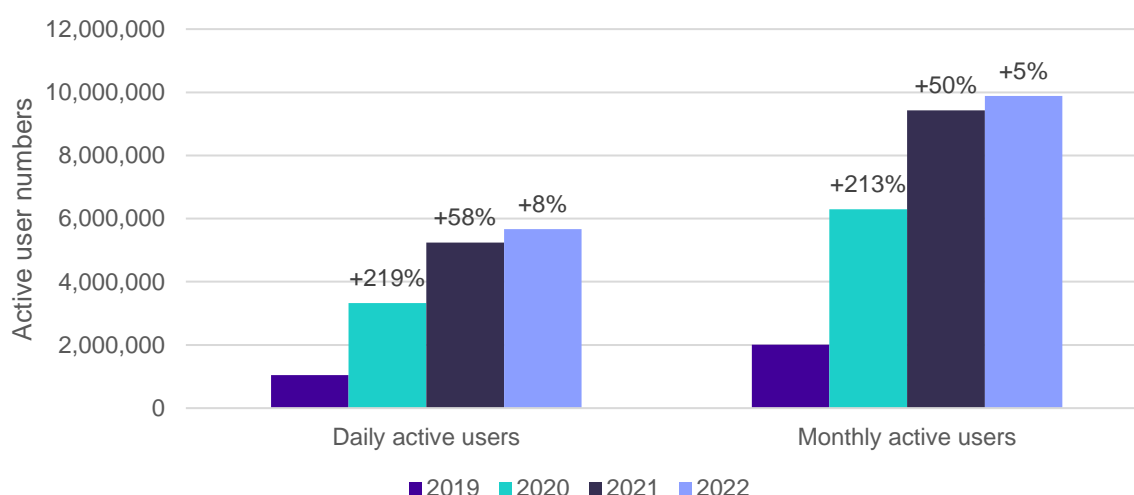
¹⁴⁰ Source: Sensor Tower data.

¹⁴¹ Information provided to the ACCC.

¹⁴² J Pollock, ['TikTok most downloaded social media app'](#), *AdNews*, 28 October 2022, accessed 14 March 2023.

2019 to 2022.¹⁴³ TikTok’s user numbers increased significantly in 2020 by 213–219%. While this growth rate was significant in 2020 and 2021, this slowed to a 5% increase for monthly active users in 2022.¹⁴⁴ While this strong rate of growth coincides with the COVID-19 pandemic, the ACCC understands that broader factors may have contributed to TikTok’s growth, including the strength of its recommendation algorithm in finding content that engages users, the novelty of a newer social media platform and its popularity globally among young users (including users aged 18–25).¹⁴⁵

Figure 1.12: Average daily and monthly active users for TikTok from 2019 to 2022¹⁴⁶



Evolution of features on TikTok

Since 2020, TikTok has developed several features promoting user uptake and retention, including:

- gradual extensions of maximum video lengths from 15 seconds to 10 minutes
- a Live Studio feature which allows users to stream from their computers to followers
- Creator Playlists, allowing creators to categorise their historical content into playlists that are easy for users to access and search.

More recently, TikTok has introduced a feature that allows creators to cross-post TikTok Stories to their Facebook and Instagram accounts. Reportedly, Meta has responded by adjusting recommendation algorithms on its Reels services to not promote recirculated

¹⁴³ Source: ACCC analysis of Sensor Tower data. The Sensor Tower data obtained by the ACCC refers to average daily and monthly active user figures for TikTok’s mobile app for the years 2019 to 2022.

¹⁴⁴ Source: ACCC analysis of Sensor Tower data.

¹⁴⁵ S Perez, 'Kids and teens now spend more time watching TikTok than YouTube, new data shows', *TechCrunch*, 14 July 2022, accessed 14 March 2023.

¹⁴⁶ Source: ACCC analysis of Sensor Tower data. This chart is based on Sensor Tower data, which captures Australian daily and monthly active users who have downloaded TikTok on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on TikTok’s mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, more than 95% of the total time spent by Australian users from January to December 2022 was on TikTok’s mobile app.

TikTok Stories, and eventually by offering additional bonuses to influencers who post original content on its platforms.¹⁴⁷

1.2.4. Twitter

Twitter allows users to post public, real-time messages to other users ('tweets') with a maximum length of 280 characters. Users can follow each other and interact by liking, commenting on, and retweeting other users' tweets to their own profile, as well as through a private messaging feature. The Twitter app includes a timeline which displays tweets and retweets from accounts and topics users follow. A search tab displays trending tweets and promotes topics and users to follow based on their existing engagement data.¹⁴⁸ Twitter also offers a 'Spaces' tab, which provides access to live audio chat rooms on different topics and interests. Twitter is monetised through display advertising including photo and short-form video content shown in between posts on the timeline, or at the top of a user's timeline when opening Twitter. Recently, Twitter has introduced a paid subscription feature for users, Twitter Blue, which costs between A\$13–\$19 per month.¹⁴⁹

How businesses use Twitter

Businesses can set up a business account to share content with users. Given the predominance of real-time posting on Twitter, businesses often use Twitter accounts to respond to customer feedback based on tweets left by consumers. Businesses can also purchase display advertising (such as paid tweets that are promoted in a user's timeline) that can be targeted based on demographics and interests.¹⁵⁰

How publishers use Twitter

Publishers can set up a business account to make their online content discoverable and to refer users to their websites and apps. News organisations in Australia including the SBS and ABC use Twitter to disseminate their online content to Australians.¹⁵¹ 64% of Australian Twitter users access the platform for news content.¹⁵²

How influencers use Twitter

Influencers can create profiles on Twitter to share text, photo, and video Tweets with the public. Twitter influencers typically grow their user base by sharing a high volume of content specific to one or multiple fields and interest groups, including commentary on current events and topics. Influencers can post sponsored Tweets or use brand-specific hashtags, as well as post affiliate products or links on their Twitter account.¹⁵³

¹⁴⁷ S Perez, [Meta says it will now pay creators for original content in Facebook Reels](#), *TechCrunch*, 14 July 2022, accessed 14 March 2023.

¹⁴⁸ Twitter, [How to use Twitter search](#), accessed 14 March 2023.

¹⁴⁹ Twitter, [About Twitter Blue](#), accessed 14 March 2023.

¹⁵⁰ Twitter, [Advertising: Connect with the people at the centre of what's happening](#), accessed 14 March 2023.

¹⁵¹ SBS, [Submission to the Report](#), 12 October 2022, p 5, and ABC, [Submission to the Report](#), 12 October 2022, p 4.

¹⁵² ACMA, Annual Consumer Survey, Survey period June 2022, QE15, unpublished.

¹⁵³ Hootsuite, [How Much Do Influencers Make In 2022?](#), accessed 14 March 2023.

Figure 1.13: Key business statistics – Twitter

Key business statistics – Twitter	
Year of entry	Twitter was launched globally in 2006.
Key acquisitions	Twitter has made 69 acquisitions totalling US\$980 million, including: <ul style="list-style-type: none"> ▪ ad-tech start-up TellApart for US\$479 million in 2015, and¹⁵⁴ ▪ AI-driven photo editing company Magic Pony for a reported US\$150 million for in 2016.¹⁵⁵
Global revenue	Reports estimated US\$4.4 billion in 2022. ¹⁵⁶
Australian advertising revenue	FY21–22: Between A\$50 million and \$90 million. ¹⁵⁷
Valuation	Recent reports suggest Twitter’s valuation to be US\$20 billion. ¹⁵⁸
Number of users (Australia)	2,963,618 average monthly active users (2022). ¹⁵⁹
Number of Australian advertisers for the month of September 2022	Less than 5,000. ¹⁶⁰

Growth and number of Australian users on Twitter

According to Sensor Tower data, Twitter’s total number of Australian active users ranges from 1 to 3 million for the period between 2019 and 2022. Twitter experienced strong growth in its Australian user base across 2020 (+20%) and 2021 (+12%), coinciding with the COVID-19 pandemic. This growth rate slowed to 1% in 2022.¹⁶¹

¹⁵⁴ Twitter, [Annual Report 2016](#), 29 February 2016, accessed 14 March 2023.

¹⁵⁵ I Lunden, ['Twitter pays up to \\$150M for Magic Pony Technology, which uses neural networks to improve images'](#), *TechCrunch*, 20 June 2016, accessed 14 March 2023.

¹⁵⁶ M Iqbal, ['Twitter Revenue and Usage Statistics \(2023\)'](#), *BusinessofApps*, 31 January 2023, accessed 14 March 2023.

¹⁵⁷ Information provided to the ACCC. The ACCC notes that advertising revenue ranges included in this Figure are estimates and are not based on data that is recorded during Twitter’s ordinary course of business.

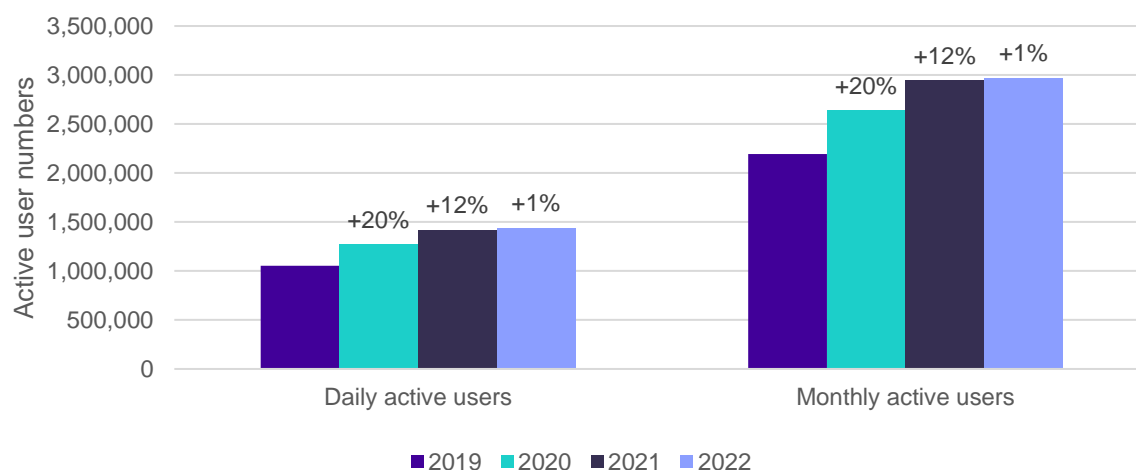
¹⁵⁸ Bloomberg, [Musk’s Stock Grants Value Twitter at \\$20 Billion: Information](#), 26 March 2023, accessed 27 March 2023.

¹⁵⁹ Source: Sensor Tower data.

¹⁶⁰ Information provided to the ACCC.

¹⁶¹ Source: ACCC analysis of Sensor Tower data. The Sensor Tower data obtained by the ACCC refers to average daily and monthly active user figures for Twitter’s mobile app for the years 2019 to 2022.

Figure 1.14: Average daily and monthly active users for Twitter from 2019 to 2022¹⁶²



Evolution of features on Twitter

Twitter's most recent feature updates have included:

- 2017: The expansion of the maximum tweet length to 280 characters.
- 2021: The announcement of Twitter Blue, a monthly subscription service offering users app customisation and early access to new features.
- 2022: The inclusion of podcasts to its Spaces tab.

1.2.5. Snapchat

Snapchat (owned by Snap Inc.) is a social messaging app premised on sending disappearing images, videos, and chats ('stories') to friends. Users can edit their images and videos through geo-tagged filters or face- and voice-altering augmented reality lenses and can send them as disappearing messages to individual friends and group-chats or upload them to their Snapchat Story to disappear after 24 hours. Snapchat's other features include Snap Maps (which allows users to see their friends' locations when active on the app), a Discover page (where users can view and subscribe to news shorts and public celebrity stories), and Snapchat Spotlight (where users can publicly share and view short-form videos). Snapchat also allows all users to set up a Public Profile separate to their personal profile, allowing content and posts to be made visible to a broader set of users.¹⁶³ Snapchat is monetised through display advertising shown as short-form (3–10 seconds) full-screen video content that appear in between friends' stories or influencer content.¹⁶⁴

¹⁶² Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian daily and monthly active users who have downloaded Twitter on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on Twitter's mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, around 60% of the total time spent by Australian users from January to December 2022 was on its mobile app.

¹⁶³ Snap Inc., [About Profiles on Snapchat](#), Snapchat, accessed 14 March 2023.

¹⁶⁴ Snap Inc., [Getting Started](#), accessed 14 March 2023.

How businesses use Snapchat

Businesses can create their own Snapchat business account to communicate with customers and share content related to their products and services. Businesses can adopt some of Snapchat's photo and video editing features, creating sponsored lenses that are shared by Snapchat users.¹⁶⁵ Businesses can also purchase display advertising opportunities to market directly to potential consumers. Noting the globally high prevalence of young users (aged up to 35) on Snapchat, many businesses that advertise on Snapchat target this demographic.¹⁶⁶ It has been reported that, globally, more than 35 million businesses actively use Snapchat.¹⁶⁷

How influencers use Snapchat

Influencers over the age of 18 can create a Public Profile to share organic picture and video content on their Public Snapchat Story, which is displayed in the 'Subscriptions' section of Snapchat for users who follow them. Influencers are eligible to have this Story content shown in the Discover page if they have been upgraded to a Creator Account.¹⁶⁸ Influencers can also share content to a wider public audience on Snapchat Spotlight (video only) and on stories displayed on the Snap Map. Influencers with Public Profiles can share this content under their display names, whereas private users can only post anonymously.¹⁶⁹

Influencers can publish sponsored content on their Public Snapchat Story, including through paid endorsements or by using a brand's sponsored filter. They can also 'takeover' a business's Public Snapchat Story to share promotional content, typically for around 24 hours.¹⁷⁰ Influencers with Snap Star status¹⁷¹ can receive a share of display advertising revenue from Snapchat Ads which are played within their Public Stories.¹⁷²

¹⁶⁵ Snap Inc., [Snapchat Ad Formats](#), accessed 14 March 2023.

¹⁶⁶ M Moshin, ['10 Snapchat Statistics You Need to Know in 2022'](#), *Oberlo*, 5 August 2022, accessed 14 March 2023.

¹⁶⁷ C Singh, ['40+ Snapchat Statistics for Scaling Your Business in 2023'](#), *SocialPilot*, 23 January 2023, accessed 14 March 2023.

¹⁶⁸ Eligibility criteria for a Creator Account includes having at least 100 subscribers, a Snapchat profile that is one week old, and at least one bi-directional 'friend' (where both profiles have accepted each other as friends). Source: Snapchat, [Get Creator Features](#), accessed 14 March 2023.

¹⁶⁹ Snapchat, [What are the different roles and permissions for Creator Accounts on Snapchat?](#), accessed 14 March 2023.

¹⁷⁰ Influencer Marketing Hub, [The Rise of Influencer Marketing on Snapchat](#), accessed 14 March 2023.

¹⁷¹ Snap Inc considers a range of factors in determining eligibility for Snap Star status. These include: a profile that has accumulated a large and engaged audience; a profile that is primarily used to create and share stories with the general public on a regular basis; an account that represents the uniqueness or authenticity of the person it represents; an account that is highly searched or culturally relevant; and a profile that produces content that is original, safe and in line with Snapchat's Community Guidelines. Source: Snapchat, [How do I become a Snap Star?](#), accessed 14 March 2023.

¹⁷² The Verge, [Snapchat will put ads within stories and share the money with creators](#), accessed 14 March 2023.

Figure 1.15: Key business statistics – Snapchat

Key business statistics – Snapchat	
Year of entry	Snapchat was launched globally in 2011.
Key acquisitions	Snap Inc. acquired: <ul style="list-style-type: none">▪ social mapping startup Zenly in 2017 for US\$213.3 million, and¹⁷³▪ mobile search app Vurb in 2016 for a reported US \$114.5 million.¹⁷⁴
Global revenue	US\$4.6 billion in 2022. ¹⁷⁵
Australian advertising revenue	FY21–22: Between A\$80 million and \$120 million. ¹⁷⁶
Market capitalisation	US \$18.28 billion. ¹⁷⁷
Number of users (Australia)	5,967,170 average monthly active users (2022). ¹⁷⁸
Number of Australian advertisers for the month of September 2022	Less than 5,000. ¹⁷⁹

Growth and number of Australian users on Snapchat

Snapchat experienced stronger growth earlier in the COVID-19 pandemic, averaging 4–6% growth in 2020, followed by 1–3% in 2021. In 2022, Snapchat’s active user numbers remained stable.¹⁸⁰

¹⁷³ Snap Inc., [2017 Annual Report - Form 10K](#), 21 February 2018, accessed 14 March 2023.

¹⁷⁴ M Lynley, [‘Snap paid \\$115.4M to acquire Vurb and gives acquisition details for Bitstrips and Lookserly’](#), *TechCrunch*, 3 February 2017, accessed 14 March 2023.

¹⁷⁵ Snap Inc., [Snap Inc. Announces Fourth Quarter and Full Year 2022 Financial Results](#), 31 January 2023, accessed 14 March 2023.

¹⁷⁶ Information provided to the ACCC. The ACCC notes that the advertising revenue range included in this Figure is an estimate and is not based on data that is recorded during Snapchat’s ordinary course of business.

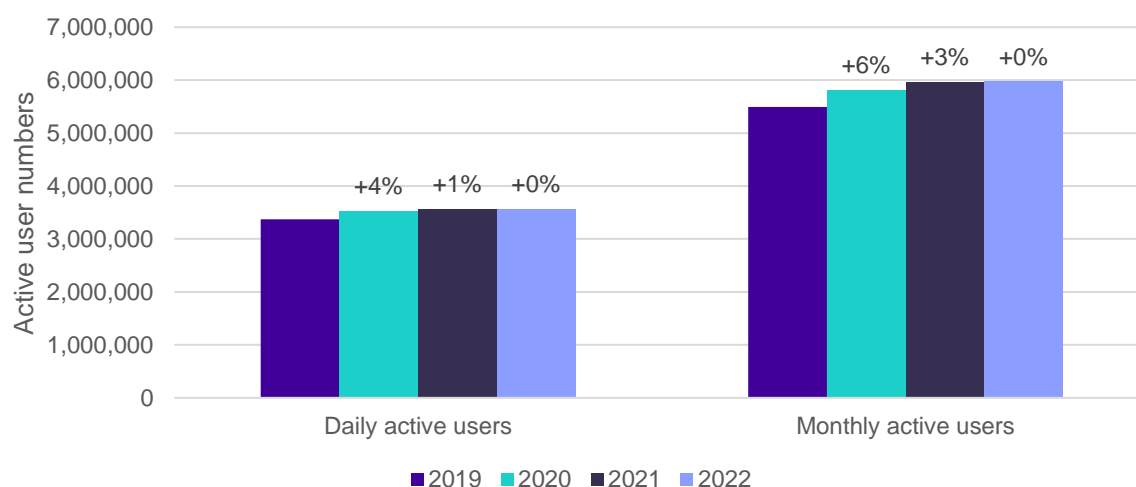
¹⁷⁷ Nasdaq, [Snap, Inc. Class A Common Stock \(SNAP\)](#), accessed 27 March 2023.

¹⁷⁸ Source: Sensor Tower data.

¹⁷⁹ Information provided to the ACCC.

¹⁸⁰ Source: ACCC analysis of Sensor Tower data. The trends referred to in this paragraph have been calculated using the average daily and monthly active user figures on Snapchat’s mobile app across the years 2019–2022.

Figure 1.16: Average daily and monthly active users for Snapchat from 2019 to 2022¹⁸¹



Evolution of features on Snapchat

In recent years, Snapchat has continued to expand its features on top of these core messaging and photo-sharing functions, including:

- 2015: Snapchat Discover introduced, displaying news, longer form videos, advertising, and influencer stories.
- 2016: voice and video-calling introduced; group messaging functionality introduced.
- 2017: Snap Maps introduced, allowing users to see their friends' locations when active on the app.
- 2020: Snapchat Spotlight introduced, providing a separate tab facilitating the posting and sharing of short-form videos similar in nature to content posted on TikTok.
- 2022: A Snapchat+ paid subscription service was announced, providing users with access to exclusive pre-release features such as an "exclusive" badge on their profile and the ability to see the number of times a user's friends have re-watched their story.¹⁸² In addition, Snapchat introduced desktop site access.

¹⁸¹ Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian daily and monthly active users who have downloaded Snapchat on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (averaged per month) on Snapchat's mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, nearly 100% of the total time spent by Australian users from January to December 2022 was on its mobile app.

¹⁸² Snap Inc., [What is Snapchat+?](#), accessed 14 March 2023.

1.2.6. YouTube (Google)

YouTube is a video sharing platform that allows users to access and consume content produced by creators. YouTube also provides space between videos to show display advertising to users. In October 2006, YouTube was acquired by Google.¹⁸³

YouTube's video hosting platform serves 3 distinct groups: users, content creators (influencers) and advertisers.¹⁸⁴ Google submits that whilst YouTube has some similar features to other social media platforms (such as the ability to communicate with creators by posting comments on videos), these features 'are not connected to social networking and are ancillary to YouTube's core function of hosting video content'.¹⁸⁵

Users do not normally pay a fee to access or watch video content and can subscribe to follow creators via a YouTube channel for free. YouTube can be used without an account, but only for browsing content and watching videos. YouTube monetises its service by hosting display advertising (short and mid-length video content) during or before video content. YouTube allows users to follow creators and comment on videos. Users can also purchase a subscription to YouTube Premium, which allows users to watch videos without advertising and provides access to other features such as the ability to download videos.¹⁸⁶

How businesses use YouTube

Businesses can create their own YouTube account to watch, like and subscribe to videos, as well as set up their own Channel (at no cost) to upload and share video content with other users. Given that YouTube content is video-based, businesses may post informative product overviews or customer testimonials in video form.

Businesses are also likely to engage with consumers on YouTube by purchasing display advertising opportunities. Display advertising can be targeted to specific users based on demographics, interests and through retargeting.¹⁸⁷ Reporting suggests that YouTube advertisements can cost between US\$0.03 to US\$0.30 per view, with minimum spending for a campaign starting at US\$10.¹⁸⁸ However, the overall cost of advertising on YouTube is also contingent on the costs associated with producing video content.¹⁸⁹

How publishers use YouTube

Publishers can set up a YouTube account to post video content and refer users to their websites and apps. YouTube allows publishers that meet specific criteria to share 55% of revenue from advertisements shown during or between video content (and 45% of revenue for advertisements shown during or between Shorts video content).¹⁹⁰ Australian news organisations including Nine, ABC and SBS consider YouTube to be a significant

¹⁸³ A Sorkin and J Peters, '[Google to Acquire YouTube for \\$1.65 billion](#)', *The New York Times*, 9 October 2006, accessed 14 March 2023.

¹⁸⁴ Google Australia, '[Submission to the Report](#)', 30 November 2022, p 1.

¹⁸⁵ Google Australia, '[Submission to the Report](#)', 30 November 2022, pp 1, 4.

¹⁸⁶ Google, '[Use your YouTube Premium benefits](#)', accessed 14 March 2023.

¹⁸⁷ Google, '[About audience targeting](#)', accessed 14 March 2023.

¹⁸⁸ P Obeid, '[How Much Does YouTube Advertising Cost in 2022?](#)', *Local Digital*, 13 April 2022, accessed 14 March 2023.

¹⁸⁹ Explain Ninja, '[Promotional Video Production Cost](#)', 6 February 2023, accessed 14 March 2023.

¹⁹⁰ YouTube, '[YouTube partner earnings overview](#)', 2023, accessed 23 March 2023.

platform for disseminating their content and for referral traffic.¹⁹¹ Around 33% of Australian YouTube users use the platform to access news content.¹⁹²

How influencers use YouTube

Influencers post video content on their public channel, to which other users can subscribe. They can post short-form video on YouTube Watch, or longer form, linear and live video displayed on the homepage. Influencers can also publish stories, viewable by all users. YouTube influencers usually create video content to suit particular interest groups and topics, such as gaming, lifestyle vlogs, comedy, and product or brand reviews. Influencers may publish paid content including product placement, sponsored videos, endorsements, and affiliate links. Display advertising can be shown at the beginning or throughout an influencers' videos, which can be monetised through YouTube's revenue-sharing scheme, the Partner Program.¹⁹³

Figure 1.17: Key business statistics – YouTube

Key business statistics – YouTube	
Year of entry	Launched globally in 2005.
Key acquisitions	Acquired by Google in October 2006 for US\$1.65 billion. ¹⁹⁴
Global revenue	According to reported earnings data, global YouTube ads revenue in 2022 was US\$7.9 billion in 2022. ¹⁹⁵
Australian advertising revenue	FY21–22: Between A\$430 million and \$470 million. ¹⁹⁶
Market capitalisation (Alphabet)	US\$1.35 trillion. ¹⁹⁷
Number of users (Australia)	20,438,514 average monthly active users (2022). ¹⁹⁸
Number of Australian advertisers for the month of September 2022	Between 40,000 and 50,000. ¹⁹⁹

Growth and number of Australian users on YouTube

YouTube experienced significant growth in its first year of operation, with more than 100 million videos being watched by 20 million users by mid-2006.²⁰⁰ In Australia, YouTube has the second-highest number of active users behind Facebook (at

¹⁹¹ Nine Entertainment Co., [Submission to the Report](#), 12 October 2022, p 2, ABC, [Submission to the Report](#), 12 October 2022, p 2 and SBS, [Submission to the Report](#), 12 October 2022, p 5.

¹⁹² ACMA, Annual Consumer Survey, Survey period June 2022, QE15, unpublished.

¹⁹³ Google, [YouTube Partner Program overview & eligibility](#), accessed 14 March 2023.

¹⁹⁴ Google, [Google to acquire YouTube for \\$1.65 billion in stock](#), 9 October 2006, accessed 14 March 2023.

¹⁹⁵ Alphabet, [Earnings: Q4 & fiscal year](#), accessed 27 March 2023.

¹⁹⁶ Information provided to the ACCC. ACCC estimate derived by taking YouTube gross advertising revenue less revenue share payments to eligible YouTube creators, artists and partners based on advertisements displayed or streamed on public videos on their content Watch Page. See YouTube Help, [YouTube partner earnings overview](#), accessed 9 March 2023. The basis on which the gross revenue was provided is not directly comparable to the methodology used for Google's externally reported global and Australian advertising revenue.

¹⁹⁷ Nasdaq, [Alphabet Inc. Class A Common Stock \(GOOGL\)](#), accessed 27 March 2023.

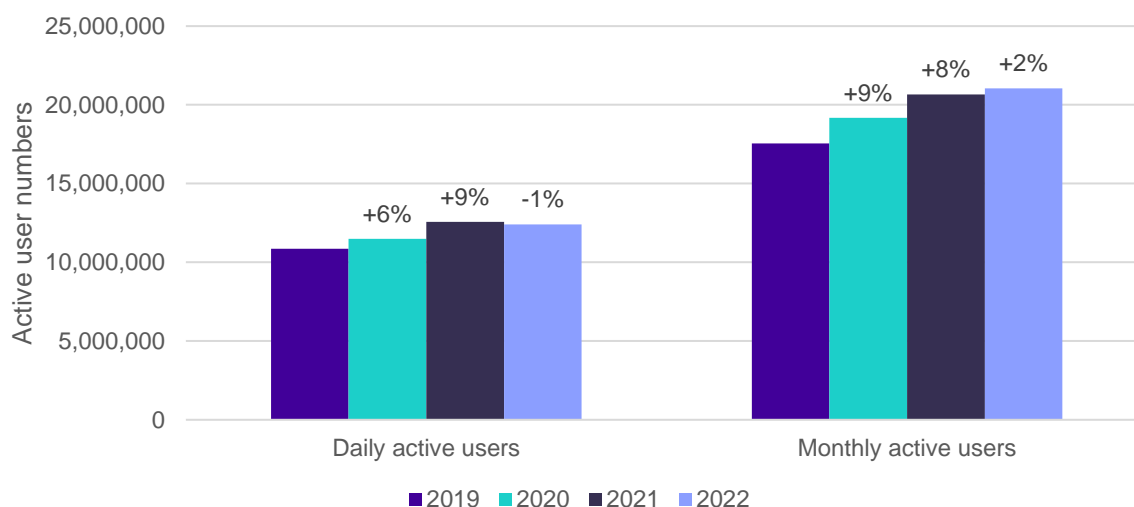
¹⁹⁸ Source: Sensor Tower data.

¹⁹⁹ Information provided to the ACCC. Google notes that the figure represents the number of parent advertisers with an Australian billing address that purchased YouTube advertisements shown to users in Australia.

²⁰⁰ NBC News, [YouTube serves up to 100 million videos a day](#), 17 July 2006, accessed 14 March 2023.

20,438,514 monthly active users), and had between 6 and 9% year-on-year growth from 2020 to 2022.²⁰¹

Figure 1.18: Average daily and monthly active users for YouTube from 2019 to 2022²⁰²



Evolution of features on YouTube

YouTube’s core offering of sharing video content has expanded over time to include YouTube TV, a subscription streaming service in partnership with overseas broadcast and cable networks. In response to the entry of TikTok and its short-form video format, YouTube also introduced ‘Shorts’, a separate tab within the YouTube app that features video content of up to 60 seconds in a format that users can scroll through.²⁰³

1.2.7. LinkedIn (Microsoft)

LinkedIn is a professional social networking service. Unlike the other platforms covered in this section, it is rarely used for personal or entertainment purposes. User profiles are populated with information about employment history, work, and other professional experience – much like an online resume. Users share posts on a ‘feed’ that includes employment updates (such posts relating to a promotion), information about work opportunities, and posts on career development. Posts often include hashtags based on topic or theme to make them discoverable to users. Users can also search for job opportunities posted on LinkedIn by businesses under a ‘Jobs’ tab; in some cases, LinkedIn allows users to apply for a job within the platform.

²⁰¹ Source: ACCC analysis of Sensor Tower data. The trends referred to in this paragraph have been calculated using the average daily and monthly active user figures on YouTube’s mobile app across the years 2019–2022.

²⁰² Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian daily and monthly active users who have downloaded YouTube on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on YouTube’s mobile app across the years 2019–2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, around 65% of the total time spent by Australian users from January to December 2022 was on its mobile app.

²⁰³ Google, [Create - and earn - with short form video on YouTube](#), accessed 14 March 2023.

Users will generally connect with other LinkedIn users to grow their professional network,²⁰⁴ adding colleagues, clients or new professional acquaintances as ‘connections’ who will appear on a ‘My Network’ tab. Within this tab, a feature known as ‘People You May Know’ recommends other individuals a user may know, based on similar educational background or work experience. Users can also ‘follow’ other profiles to receive posts in their feed (and without having to share posts themselves).

Users are not charged for creating a standard LinkedIn profile; however as with other platforms, LinkedIn monetises their data by showing users display advertising. LinkedIn has limited functionality if accessed without a profile. For example, when browsing another LinkedIn user profile, only current employment information is viewable. Users can pay to subscribe for Premium access to the platform, offering tools to connect with hiring managers for jobs and access to short online skills courses.²⁰⁵

In 2016, LinkedIn was acquired by Microsoft for more than US\$26 billion.²⁰⁶

How businesses use LinkedIn

Businesses maintain profiles on LinkedIn to create and share posts. Users can ‘follow’ a business profile to receive posts in their feed. Businesses tend to post company news and updates and recruitment material through their profile page. Businesses can also upload job opportunities and allow LinkedIn users to apply for a job through the app using an ‘Easy Apply’ feature.²⁰⁷ Businesses can register for subscription access to a Premium profile, offering access to historical views of their profile by users and access to short online skills courses. Businesses can also purchase display advertising on LinkedIn – such as banner ads, sponsored posts that appear on a user’s feed, message advertisements that appear in the messaging function of the platform.²⁰⁸ It has been reported that, globally, more than 58 million companies actively use LinkedIn.²⁰⁹

How influencers use LinkedIn

While LinkedIn is not widely used by influencers, influencers can develop their ‘follower’ list by sharing organic posts related to their employment history, work, or life experience. Influencers on LinkedIn can also promote products and branding through sponsored posts.²¹⁰

²⁰⁴ LinkedIn, [What is LinkedIn and How Can I Use It?](#), accessed 14 March 2023.

²⁰⁵ LinkedIn, [Discover how Premium can give you a boost](#), accessed 14 March 2023.

²⁰⁶ Microsoft News Centre, [Microsoft to acquire LinkedIn](#), 13 June 2016, accessed 14 March 2023.

²⁰⁷ LinkedIn, [Easy Apply](#), accessed 14 March 2023.

²⁰⁸ LinkedIn, [How to advertise on LinkedIn](#), accessed 14 March 2023.

²⁰⁹ A Gajic, [LinkedIn Statistics](#), *99Firms*, accessed 14 March 2023.

²¹⁰ C Soumis, [How to Become a LinkedIn Influencer](#), *LinkedIn*, 26 May 2021, accessed 14 March 2023.

Figure 1.19: Key business statistics – LinkedIn

Key business statistics – LinkedIn	
Year of entry	LinkedIn was launched in 2003. ²¹¹
Key acquisitions	LinkedIn has made over 20 acquisitions since its launch in 2003. Most recent acquisitions include: ²¹² <ul style="list-style-type: none">▪ EduBrite Systems, a learning management platform for businesses, in 2022 for an undisclosed amount, and²¹³▪ Oribi, a marketing analytics company, in 2022 for a reported US\$80–90 million.²¹⁴
Global revenue	Reports indicate that LinkedIn’s global revenue in 2022 was US\$13.8 billion. ²¹⁵
Advertising revenue (global)	While there are no figures to confirm revenue from display advertising in Australia, in FY22 LinkedIn Marketing Solutions exceeded US\$5 billion in global annual revenue. ²¹⁶
Market capitalisation (Microsoft)	US\$2.09 trillion. ²¹⁷
Number of users (Australia)	5,058,045 average monthly active users (2022). ²¹⁸

Growth and number of Australian users on LinkedIn

Based on data available in respect of LinkedIn’s active user numbers between 2021 and 2022:²¹⁹

- LinkedIn’s daily active user numbers have grown from 6 million to 6.5 million
- LinkedIn recorded an increase in monthly active users, from 4.6 million to 5 million.

²¹¹ LinkedIn, [About LinkedIn](#), accessed 14 March 2023.

²¹² Tracxn, [Acquisitions by LinkedIn](#), 22 January 2023, accessed 14 March 2023.

²¹³ LinkedIn, [Acquisition of EduBrite to further our skills-first vision](#), 28 June 2022, accessed 14 March 2023.

²¹⁴ I Lunden, [LinkedIn acquires Israeli web analytics startup Oribi for \\$80M-90M to expand its marketing technology](#), TechCrunch, 1 March 2022, accessed 14 March 2023.

²¹⁵ S Dixon, [LinkedIn: annual revenue 2017-2022](#), Statista, 10 October 2022, accessed 14 March 2023.

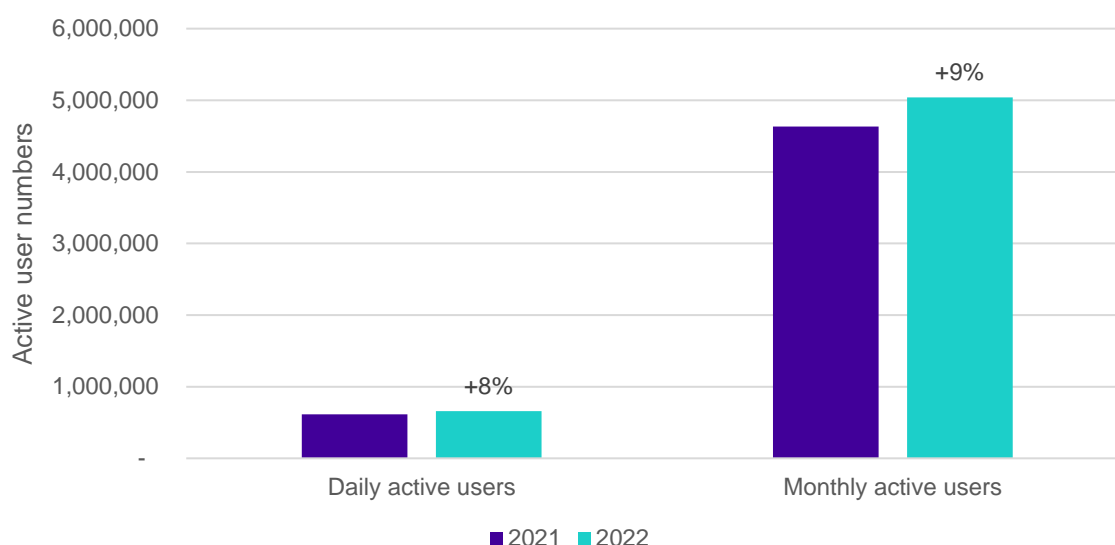
²¹⁶ LinkedIn, [LinkedIn Business Highlights from Microsoft's FY22 Q4 Earnings](#), 26 July 2022, accessed 14 March 2023.

²¹⁷ Nasdaq, [Microsoft Corporation Common Stock \(MSFT\)](#), accessed 27 March 2023.

²¹⁸ Source: Sensor Tower data.

²¹⁹ Source: ACCC analysis of Sensor Tower and Similarweb data. According to Sensor Tower and Similarweb data, there are significantly more users of the LinkedIn website than the mobile app. Calculations for monthly active user and daily active user numbers are made of combined visitor numbers from SimilarWeb data (for web) and usage numbers from Sensor Tower data (for mobile app). SimilarWeb does not provide deduplication data (factoring in users of both desktop and mobile app) for daily average visitor numbers. This has instead been calculated using monthly deduplicated visitor numbers (accessible on SimilarWeb), which is 72% of the sum of mobile and desktop visitors prior to deduplication.

Figure 1.20: Average daily and monthly active users/unique visitors for LinkedIn from 2021 to 2022²²⁰



Evolution of features on LinkedIn

Over time, LinkedIn has introduced new features to its platform including:

- 2018 – features that allow documents to be attached and shared in posts.
- 2020 – LinkedIn Stories, a tab allowing users to scroll through short-form video content. This feature was discontinued in 2021.
- 2022 – Carousels, or multi-image posts that a user can swipe across to view. This feature also allows documents or presentations to be viewed without leaving the platform.

1.2.8. Pinterest

Pinterest is a content creation and sharing service. Users can search and save ‘pins’ – images and videos hosted on the platform. Pins can also be saved into groupings and presentations called ‘boards.’ Users can upload images and videos to their board by uploading their own content, pinning content from other websites and re-pinning content from other Pinterest boards. A search bar allows users to search for pins and boards by interest or topic, and by trending pins. Like other social media platforms, Pinterest includes a feed that curates pins based on the boards that a user creates, the pins users engage with and their search history on the platform. Users can also communicate with other Pinterest users through a private messaging service.

²²⁰ Source: ACCC analysis of Sensor Tower and Similarweb data. This chart is based on data which captures Australian daily and monthly active users who have downloaded LinkedIn on their mobile device through the Apple App Store or Google Play Store or have accessed LinkedIn on a web browser. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on LinkedIn’s mobile app across the years 2021 and 2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower and Similarweb data, less than 20% of the total time spent by Australian users from January to December 2022 was on its mobile app.

Pinterest launched in March 2010 and grew rapidly in its initial years. The company went public on 18 April 2019 with an approximate US\$10 billion valuation.²²¹ Its consumer base has continued to grow and as of October 2022 had 1,233,229 average Australian daily active users.²²² Pinterest generates revenue through display advertising that features on a user's feed.²²³

How businesses use Pinterest

Businesses can establish a Pinterest business account to create and share pins with other users. Given the visual search function on Pinterest, businesses can make their products discoverable to users. Pins can also be linked back to a business webpage. Businesses can also set up 'Product Pins' that automatically pull product descriptions, price and availability information from an external website, and redirect Pinterest users to their website through a 'visit' button. A 'Shopping List' feature allows users to save their favourite Product Pins within the app. Businesses can also become 'Verified Merchants', giving prominence to Product Pins in search results.²²⁴

Pinterest is often used by retail businesses and designers to showcase products to users through pins and boards.²²⁵ Businesses can also directly advertise to users through display advertising (such as 'Promoted Pins' in search results). Pinterest also offers an Ads Manager service, allowing businesses to track the performance of targeted advertising campaigns.

How influencers use Pinterest

Influencers on Pinterest publish visual content, usually with links to external blog posts, products, or brands. Influencers may specialise industries like travel, fashion, and home decor.²²⁶ Influencers can monetise their content through brand partnerships, tagging e-commerce products and posting affiliate links.²²⁷

²²¹ S Rodriguez, '[Pinterest prices IPO at \\$19, valuing social media company at \\$10 billion](#)', *CNBC*, 17 April 2019, accessed 14 March 2023.

²²² Source: Sensor Tower data.

²²³ Pinterest Business, '[Stop interrupting. Start inspiring](#)', accessed 14 March 2023.

²²⁴ J Cummings, '[How to use Pinterest Marketing to Gain Exposure for Your Small Business](#)', *Buffer*, 19 November 2021, accessed 14 March 2023.

²²⁵ C Chapman, '[Pinterest for Designers – An Overview](#)', *Designers*, accessed 14 March 2023.

²²⁶ Pinterest, '[Submission to the Report](#)', 12 October 2022, p 2.

²²⁷ Pinterest, '[Submission to the Report](#)', 12 October 2022, p 3.

Figure 1.21: Key business statistics – Pinterest

Key business statistics – Pinterest	
Year of entry	Pinterest was initially released in 2010.
Key acquisitions	Pinterest’s acquisitions include: <ul style="list-style-type: none">▪ THE YES, an AI powered shopping platform for fashion in June 2022 for an undisclosed amount²²⁸▪ Vochi, a video creation and editing app in December 2021 for US\$45.9 million.²²⁹
Revenue	US\$2.803 billion (2022). ²³⁰
Market capitalisation	US\$18.78 billion. ²³¹
Number of users (Australia)	6,064,027 average monthly active users (2022). ²³²

Growth and number of Australian users on Pinterest

Based on available data in respect of Pinterest’s average daily and monthly active users from 2019 to 2022:²³³

- Pinterest has seen its daily active user numbers remain around 1.2 million, noting increases in 2020 (+7% to 1.3 million) and 2021 (+6% to 1.4 million), followed by a decrease in 2022 (-13% to 1.2 million).
- Pinterest saw increases in its monthly active user numbers from 2019 (5.2 million) through 2020 (increasing 12% to 5.9 million) and 2021 (increasing 13% to 6.7 million) before decreasing by -11% to 6 million in 2022.

²²⁸ Pinterest, [Pinterest to acquire THE YES, an AI powered shopping platform for fashion](#), 2 June 2022, accessed 14 March 2023.

²²⁹ Pinterest, [Notice of 2022 Annual Meeting & Proxy Statement, 2021 Annual Report](#), 13 April 2022, accessed 14 March 2023 p 79.

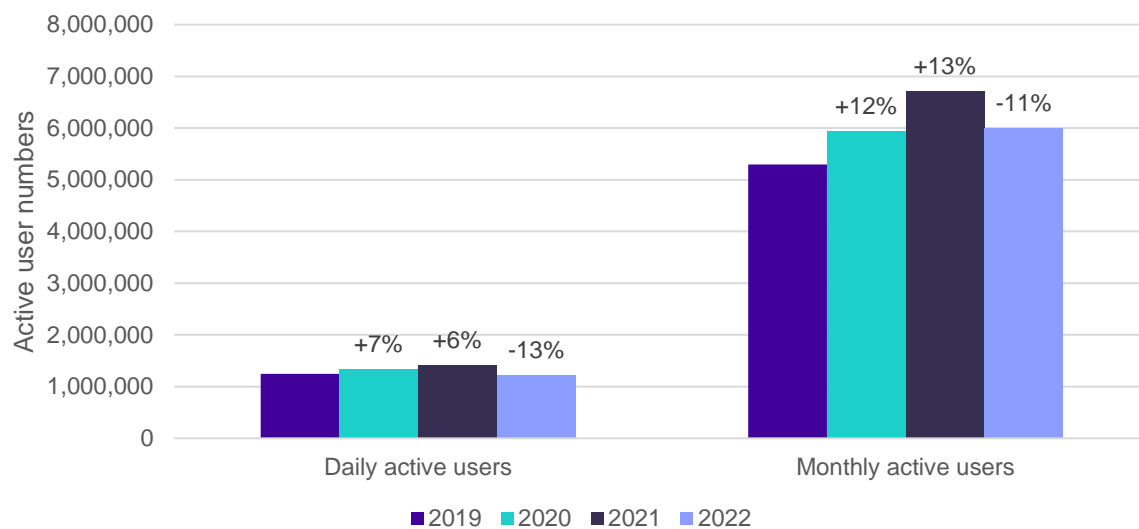
²³⁰ Pinterest, [Pinterest Announces Fourth Quarter and Full Year 2022 Results](#), Pinterest, 6 February 2023, accessed 14 March 2023 ; The ACCC understands that nearly all of Pinterest’s revenue is generated from advertising revenue.

²³¹ Nasdaq, [Pinterest, Inc. Class A Common Stock \(PINS\)](#), accessed 27 March 2023.

²³² Source: Sensor Tower data.

²³³ Source: ACCC analysis of Sensor Tower data. The trends referred to in this paragraph have been calculated using the average daily and monthly active user figures on Pinterest’s mobile app across the years 2019–2022.

Figure 1.22: Average daily and monthly active users for Pinterest from 2019 to 2022²³⁴



²³⁴ Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian daily and monthly active users who have downloaded Pinterest on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users and monthly active users on Pinterest’s mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, nearly 100% of the total time spent by Australian users from November 2021 to October 2022 was on its mobile app.

1.2.9. Reddit

Reddit is an online platform founded in 2005 that allows users to follow and engage with 'subreddits' – groups of moderated discussion boards centred on a topic or theme. Each subreddit includes individual posts by users. Other Reddit users can comment on posts and rate the post or subsequent comments using upvote and downvote buttons ('upvotes' or 'downvotes'). Unlike Facebook, which requires its users to only use their real name, user profiles on Reddit are generally anonymised, often appearing under an alias name. Users can join subreddits by clicking a 'join' button associated with a community and subreddits can cover any topic including news, politics, and travel). Reddit can be accessed without an account but posting and commenting functions are only available to registered users. When opening Reddit, users are presented with a feed that is curated by posts from subreddits that they follow or engage with. The feed can be sorted by 'Best' 'Hot', 'New' 'Top' or 'Rising' posts. Users can also directly message one another through their Reddit account.

How businesses use Reddit

Businesses can set up individual accounts on Reddit, allowing them to communicate directly with users on the platform. Businesses can post content such as product or promotion information in individual subreddits. Businesses also tend to use Reddit to communicate directly with consumers, who can comment or post about purchase issues or communicate complaints.²³⁵ Businesses can also purchase display advertising space to connect directly with users on the platform.

How influencers use Reddit

Influencers on Reddit also come from anonymous profiles that obtain notoriety through post activity on specific subreddits.²³⁶ Influencers can promote brands on Reddit or enter partnerships to have their content used by brands off the platform. Influencers can also post sponsored posts or threads, such as brand hosted discussion boards to engage other users. Influencers may use Reddit to connect with brands and other influencers through the Influencer Marketing Subreddit.

²³⁵ Reddit, [Reddit for Business](#), accessed 14 March 2023.

²³⁶ C Feigenbaum, '[Understanding Reddit Influencers and How to Activate Them](#)', *Netbase Quid*, 31 May 2019, accessed 14 March 2023.

Figure 1.23: Key business statistics – Reddit

Key business statistics – Reddit	
Year of entry	Reddit was initially released in 2005 but gained popular attention post 2015.
Key acquisitions	Reddit acquired: <ul style="list-style-type: none">▪ Spiketrapp, an AI contextual analysis company in September 2022, for an undisclosed amount²³⁷▪ Oterlu, a start-up that develops machine learning content moderation tools in October 2022, for an undisclosed amount²³⁸▪ Reddit acquired MeaningCloud, a natural language processing company in July 2022 for an undisclosed amount²³⁹▪ Reddit acquired Spell, a machine learning services platform in June 2022, for an undisclosed amount.²⁴⁰
Global revenue	Reddit does not publicly report its revenue figures. Estimates suggest Reddit's 2021 global revenue was US\$350 million. ²⁴¹
Market valuation	Reddit market valuation is unclear. In August 2021 it was valued at approximately US\$10 billion. ²⁴²
Number of users (Australia)	1,886,932 average monthly active users (2022). ²⁴³

Growth and number of Australian users on Reddit

Based on available data, Reddit has seen consistent growth in average daily and monthly active users in Australia from 2019 to 2022:²⁴⁴

- Reddit's average daily active user numbers increased from 385,000 in 2019 to 750,000 in 2022. Reddit saw significant percentage increases in its average daily active user numbers in 2020 (+37%), 2021 (+18%) and 2022 (+20%).
- Similarly, Reddit saw strong growth in average monthly active users from 915,000 in 2019 to 1.9 million in 2022. Reddit also saw significant percentage increases in its average monthly active user numbers in 2020 (+45%), 2021 (+26%) and 2022 (+14%).

²³⁷ S Perez, '[Reddit acquires contextualisation company Spiketrapp to boost its ads business](#)', *Techcrunch*, 1 September 2022, accessed 14 March 2023.

²³⁸ A Malik, '[Reddit acqui-hires team from ML content moderation startup Oterlu](#)', *Techcrunch*, 5 October 2022, accessed 14 March 2023.

²³⁹ Reddit, '[Reddit Acquires Natural Language Processing Company, MeaningCloud, Marketing First Reddit Office in Spain](#)', 1 July 2022, accessed 14 March 2023.

²⁴⁰ Reddit, '[Reddit Acquires Machine-Learning Platform Spell](#)', 16 June 2022, accessed 14 March 2023.

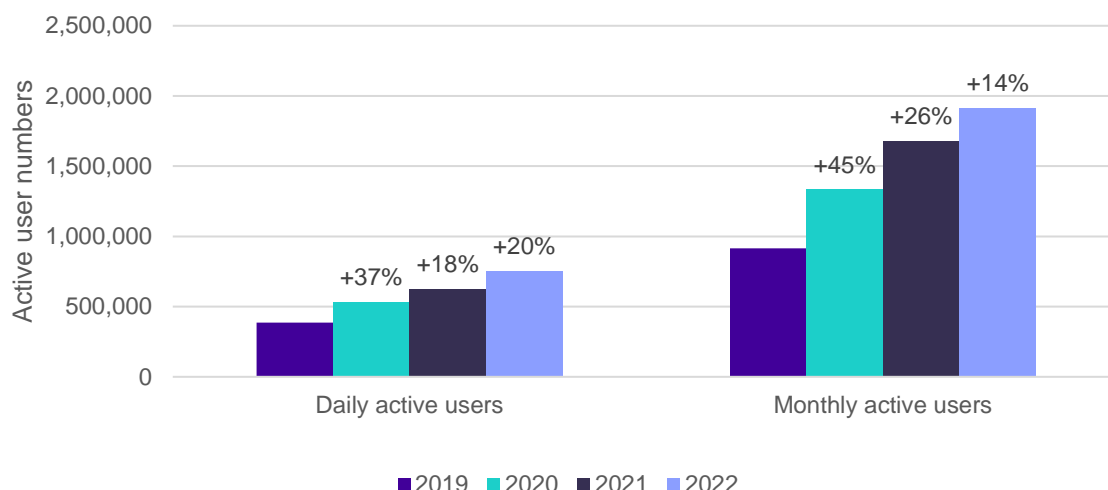
²⁴¹ D Curry, '[Reddit Revenue and Usage Statistics \(2023\)](#)', *BusinessofApps*, 9 January 2023, accessed 14 March 2023.

²⁴² D Curry, '[Reddit Revenue and Usage Statistics \(2023\)](#)', *BusinessofApps*, 9 January 2023, accessed 14 March 2023.

²⁴³ Source: Sensor Tower data.

²⁴⁴ Source: ACCC analysis of Sensor Tower data. The trends referred to in this paragraph have been calculated using the average daily and monthly active user figures on Reddit's mobile app across the years 2019–2022.

Figure 1.24: Average daily and monthly active users for Reddit from 2019 to 2022²⁴⁵



1.2.10. BeReal

BeReal is a photo-sharing social media app. Users receive a notification at a randomly selected time each day, which gives them 2 minutes to share simultaneous pictures of themselves and their immediate surroundings. Posts display the time of posting (including how late the post was, if uploaded outside the 2-minute window), the user’s location, and how many times the BeReal was retaken before it was uploaded. If users post a BeReal on any given day, they have access to view their friends’ posts in the My Friends tab and can comment and react via ‘RealMojis’. There is also a Discovery tab displaying public BeReal posts, and all users can react (but not comment) on public posts.²⁴⁶ Users cannot view other BeReal posts unless they have also posted that day, preventing users from viewing content on the app without engaging themselves. The time pressure of having to post within the 2-minute window seeks to encourage more authentic user engagement; there is limited time and in-app functionality to edit photo posts.²⁴⁷ BeReal posts are archived for each user to personally access, but users can only see the current posts of their friends.

²⁴⁵ Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian daily and monthly active users who have downloaded Reddit on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on Reddit’s mobile app across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, around 40% of the total time spent by Australian users from November 2021 to October 2022 was on its mobile app.

²⁴⁶ R Rogers, ‘BeReal Basics: How To Use The ‘Unfiltered’ Social Media App’, *Wired*, 24 July 2022, accessed 14 March 2023.

²⁴⁷ A Truly, ‘How to Use BeReal: A Guide to the Hit Photo Sharing App’, *PetaPixel*, 22 August 2022, accessed 14 March 2023.

Figure 1.23: Key business statistics – BeReal

Key business statistics – BeReal	
Year of entry	Released globally in 2020.
Key acquisitions	N/A
Total funding	US\$90 million. ²⁴⁸ The ACCC understands that BeReal does not currently record any revenue.
Market valuation	US\$600 million. ²⁴⁹
Number of users (Australia)	774,478 average monthly active users (2022). ²⁵⁰
Australian advertising revenue	BeReal does not currently host display advertising on its app.

Growth and number of Australian users on BeReal

According to Sensor Tower, there were 2.2 million downloads of the BeReal mobile app by Australians between January and December 2022, with the highest rate of download occurring in August 2022 (with 500,000 downloads in that month). Average downloads since August 2022 have decreased.²⁵¹ BeReal's active user numbers grew from 2,000 monthly active users in January 2022 to 1.5 million monthly active users in November 2022, before experiencing a decline to an average of 1.3 million monthly active users as of February 2023.²⁵² This suggests that BeReal's strong growth in 2022 may not continue in 2023.

²⁴⁸ D Curry, ['BeReal Revenue and Usage Statistics \(2023\)'](#), *BusinessofApps*, 14 February 2023, accessed 14 March 2023.

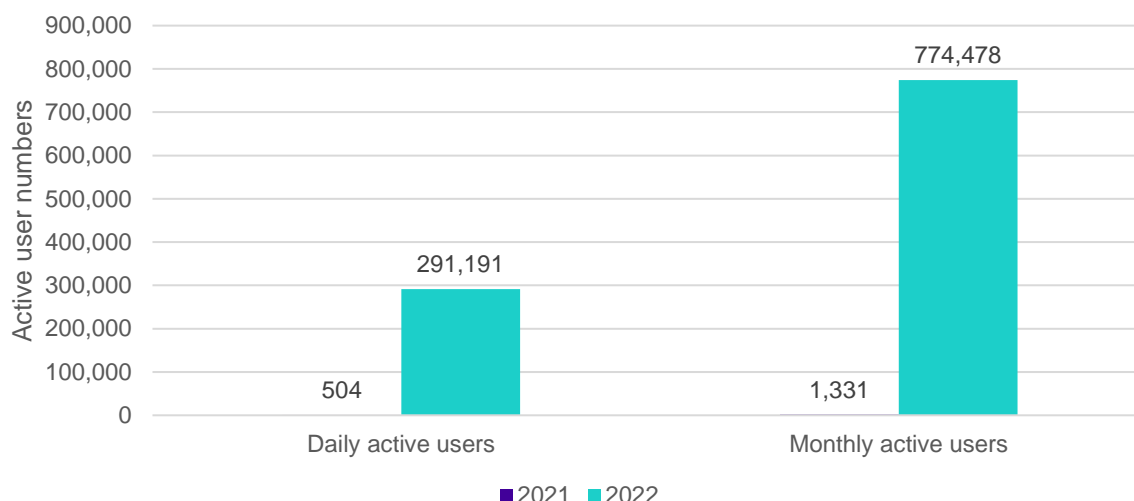
²⁴⁹ D Curry, ['BeReal Revenue and Usage Statistics \(2023\)'](#), *BusinessofApps*, 14 February 2023, accessed 14 March 2023.

²⁵⁰ Source: Sensor Tower data.

²⁵¹ Source: Sensor Tower data.

²⁵² Source: Sensor Tower data. A similar trend is observed in respect of BeReal's daily active user numbers, which increased from January 2022 (as low as 1,100 daily active users) to November 2022 (as high as 1 million daily active users), before experiencing a decline through to February 2023 (averaging 500,000 daily active users in this month). The ACCC notes that daily active user number trends factor in fluctuations on a day-to-day basis, such as increased user engagement across weekends.

Figure 1.24: Average daily and monthly active users for BeReal from 2021 to 2022²⁵³



1.3. Consumer usage trends across platforms

The following section provides an overview of consumer usage trends among the platforms identified in section 1.2, focusing on:

- the growth in Australian active users across each of these platforms from 2019 to 2022
- the total time spent per Australian adult per month across each social media platform from 2019 to 2022
- trends relating to how particular age-based demographic groups engage with social media platforms.

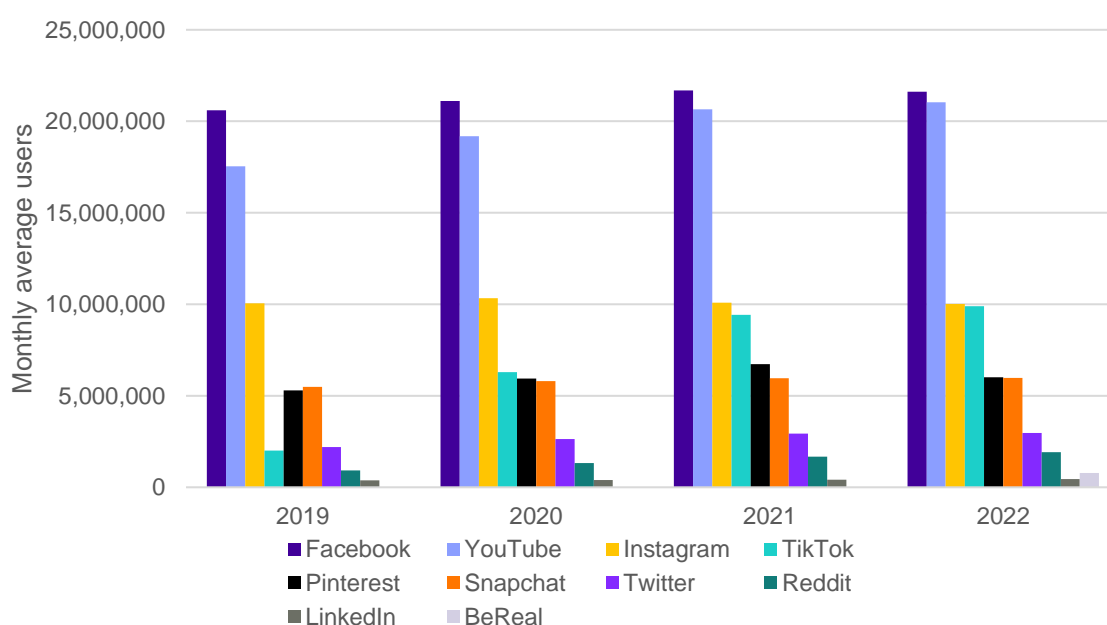
²⁵³ Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian daily and monthly active users who have downloaded BeReal on their mobile device through the Apple App Store or Google Play Store. The range in Australian user numbers refers to the average figures for daily active users (averaged per day) and monthly active users (average per month) on BeReal’s mobile app across the years 2021-2022. The data set has been captured as of a specific point in time (as of March 2023). According to Sensor Tower data, nearly 100% of the total time spent by Australian users from November 2021 to October 2022 was on its mobile app.

1.3.1. Growth in users of social media platforms

Box 1.1 – Trends relating to growth in users of large social media platforms

- Facebook has the largest active user base in Australia. Facebook had more than 21 million average monthly active users on its mobile app in 2022.²⁵⁴
- Facebook’s year on year growth of Australian active user numbers has been stable during the time period from 2019 to 2022.²⁵⁵
- TikTok’s average monthly active user base in Australia has grown significantly from 2 million in 2019 to 8 million in 2022. YouTube’s monthly active user base increased from 17.5 million monthly active users in 2019 to 21 million monthly active users in 2022.²⁵⁶

Figure 1.25: Average monthly active users by social media platforms from 2019 to 2022²⁵⁷



Based on the average monthly active usage data for mobile apps at Figure 1.25 above:

- Facebook had the highest number of active monthly mobile app users in Australia from 2019 to 2022, averaging approximately 21.2 million across this period.
- YouTube had the second highest number of active monthly mobile app users, with an average of 19.6 million monthly active users across this time period.
- Instagram had the third highest number of mobile app users from 2019 to 2022, with an average of 9.1 million monthly active users across this time period.

²⁵⁴ Source: ACCC analysis of Sensor Tower data.

²⁵⁵ Source: ACCC analysis of Sensor Tower data.

²⁵⁶ Source: ACCC analysis of Sensor Tower data.

²⁵⁷ Source: ACCC analysis of Sensor Tower data. This chart is based on data which captures Australian monthly active users who have downloaded the selected social media platforms on their mobile device through the Apple App Store (iPhone devices only) or Google Play Store. In the case of LinkedIn, it also includes Similarweb data for users who accessed LinkedIn on their desktop browser. The range in Australian user numbers refers to the average figures for monthly active users on the relevant mobile apps across the years 2019-2022. The data set has been captured as of a specific point in time (as of March 2023).

- While TikTok’s overall monthly active user number (averaging ~10 million in 2022) is below that of Facebook, Instagram and YouTube, its active user base has seen significant growth – by more than 400% since 2019.²⁵⁸ This increase predominantly occurred in 2020 and 2021, with its monthly active user base increasing by 5% from 2021 to 2022.²⁵⁹
- Pinterest, Snapchat, Twitter, Reddit, LinkedIn and BeReal all have significantly fewer Australian monthly active users than Facebook, YouTube, Instagram and TikTok. Both Reddit and LinkedIn had strong monthly active user growth between 2019 and 2022.

1.3.2. Time spent across social media platforms

Box 1.2 – Trends relating to time spent across social media platforms

- Meta (Facebook and Instagram combined) has the highest total time spent on its mobile apps. To put the total hours spent on these mobile apps in perspective, we have divided the total hours spent on these mobile apps by the Australian adult population in 2021, which was approximately 20 million. Doing so indicates that, for a population of approximately 20 million Australian adults, between 2020 and 2022 the total time spent increased from 16.9 to 17.2 hours per month on Facebook, and 9.8 to 9.9 hours per month on Instagram.²⁶⁰
- Similarly, between 2020 and 2022 the average Australian adult’s time spent on YouTube’s mobile apps increased from 21.5 to 22.6 hours per month.²⁶¹
- TikTok had the greatest increase in total time spent on its mobile app from 2020 to 2022. The average Australian adult’s time spent on TikTok increased from 6.5 hours per month in 2020 to 13.1 hours per month in 2022.²⁶²

²⁵⁸ BeReal is not included due to having no usage in 2019 to provide as a baseline.

²⁵⁹ Source: ACCC analysis of Sensor Tower data.

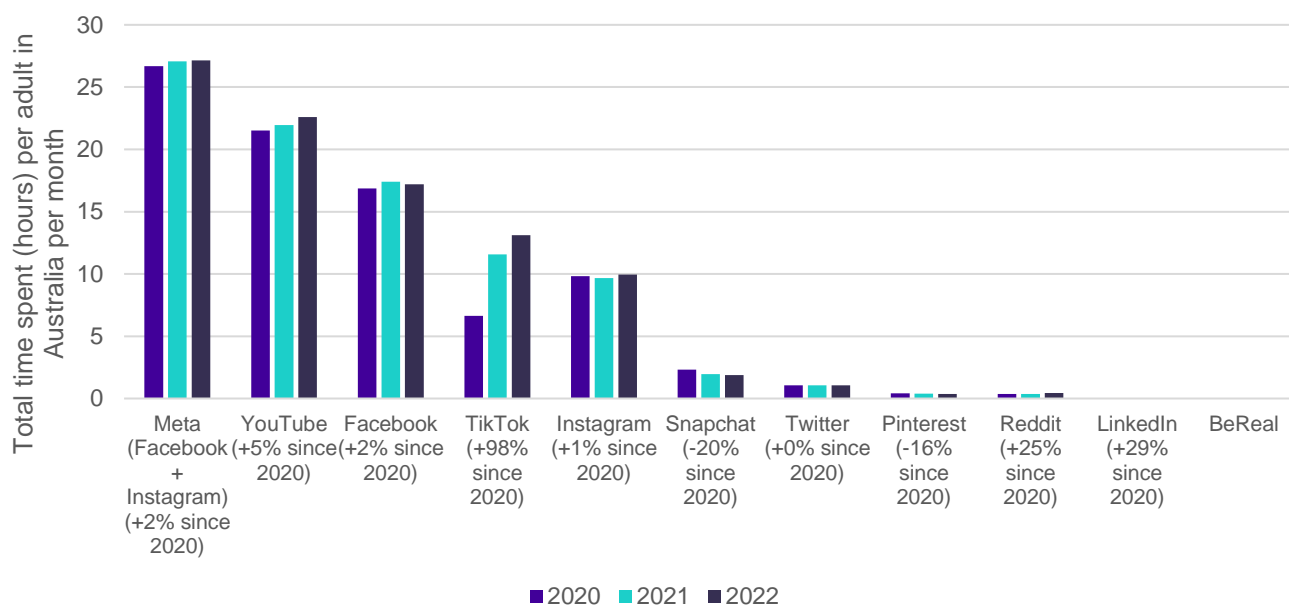
²⁶⁰ Source: ACCC analysis of Sensor Tower data. To put the total hours spent on these services in perspective, we have divided them by the Australian adult population in 2021. This is based on ABS population data for 2021 of 20,193,728. As the denominator is based on a snapshot of the Australian population in 2021, it will include some users who don’t use these services. Further it does not account for changes in the Australian population over the period 2020 to 2022. Accordingly, these figures show that the overall time spent on these services has increased, not that every Australian adult is spending more time on the service, or that the rate of use per Australian adult has increased. We note that the total hours spent per app is:

- Facebook: 4.082 billion hours in 2020 to 4.165 billion hours in 2022
- Instagram: 2.378 billion hours in 2020 to 2.407 billion hours in 2022
- YouTube: 5.211 billion hours in 2020 to 5.474 billion hours in 2022
- TikTok: 1.604 billion hours in 2020 to 3.175 billion hours in 2022.

²⁶¹ Source: ACCC analysis of Sensor Tower data, using the same methodology outlined in the footnote above.

²⁶² Source: ACCC analysis of Sensor Tower data, using the same methodology outlined in the footnotes above.

Figure 1.26: Total time spent on mobile app per Australian adult per month from 2020 to 2022²⁶³



²⁶³ Source: ACCC analysis of Sensor Tower data. To put the total hours spent on these services in perspective, we have divided them by the Australian adult population in 2021. This is based on ABS population data for 2021 of 20,193,728. As the denominator is based on a snapshot of the Australian population in 2021, it will include some users who don't use these services. Further it does not account for changes in the Australian population over the period 2020 to 2022. Accordingly, these figures show that the overall time spent on these services has increased, not that every Australian adult is spending more time on the service, or that the rate of use per Australian adult has increased. For example, the ACCC notes that the total hours spent per app is:

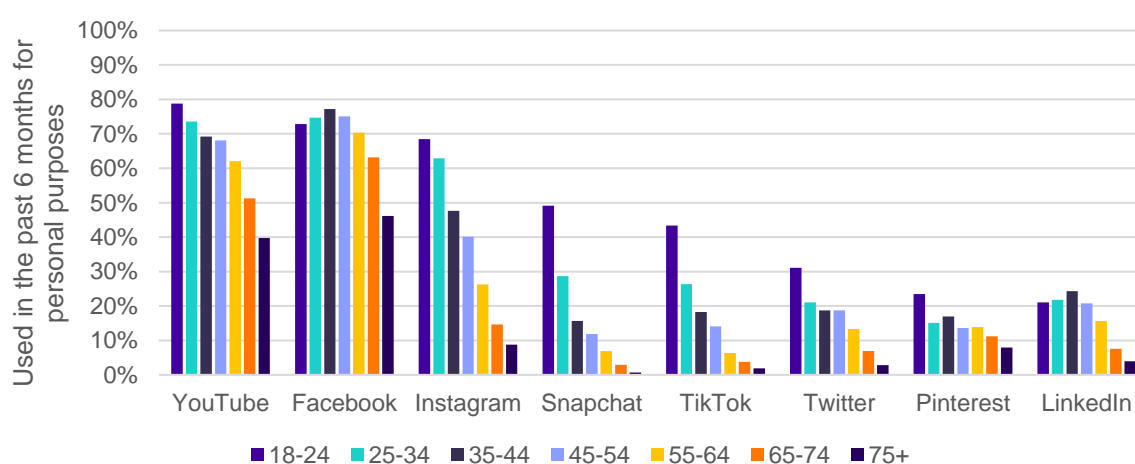
- Facebook: 4.082 billion hours in 2020 to 4.165 billion hours in 2022
- Instagram: 2.378 billion hours in 2020 to 2.407 billion hours in 2022
- YouTube: 5.211 billion hours in 2020 to 5.474 billion hours in 2022
- TikTok: 1.604 billion hours in 2020 to 3.175 billion hours in 2022.

1.3.3. Consumer engagement trends examined by demographic

Box 1.3 – Key consumer engagement trends examined by demographic²⁶⁴

- Australian users aged 18–24 are more likely to use multiple social media platforms than Australians over 25.
- Australian users aged 25–34 and 35–44 are more likely to use YouTube, Facebook or Instagram than other social media platforms.
- Australian users aged 45 and above are more likely to use Facebook or YouTube than any other social media platform, and the rates of engagement decrease significantly with older demographic groups.
- A higher percentage of Facebook and TikTok users aged 18–24 and 25–34 use Facebook for a personal purpose than TikTok.

Figure 1.27: Frequency with which consumers have used social media services in the last 6 months for personal purposes by age band²⁶⁵



Based on the above survey data from the Australian Communications and Media Authority (ACMA):

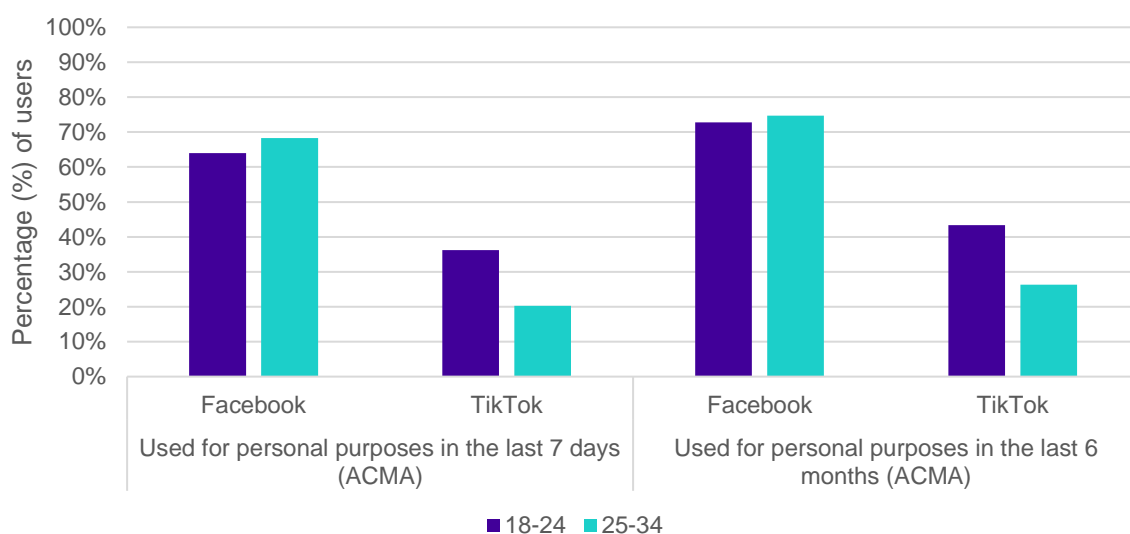
- Over 60% of users in all age groups surveyed, except those aged 75 and above, reported using Facebook.
- Similarly, YouTube was popular with all age groups. Except for the 65–74 and 75+ age group, more than 60% of users in all other age groups used YouTube.
- Australians aged 18–24 were significantly more likely to use Snapchat, TikTok and Twitter than all other age groups.
- Australians aged 55 and above were less likely to have used at least one of the social media platforms in the previous 6 months than those in younger age groups.

²⁶⁴ Source: ACCC analysis of ACMA data. ACMA, [Communications and media in Australia: How we communicate](#), December 2022, section 3.

²⁶⁵ Source: ACMA, [Communications and media in Australia: How we communicate](#), December 2022, section 3. This chart is based on data collected by the ACMA as part of its 'Communications and media in Australia: How we communicate' survey conducted in July 2022. The sample size for the consumer survey was 3580 respondents. Data is weighted to represent the Australian population (based on telephone status, state/territory, age, gender, internet usage and education). The chart collates responses to a survey question asking respondents who had previously reported that they used particular apps or websites, about whether they use those apps or websites in the past 7 days to create or post a piece of content.

As shown below, ACMA data indicates that for both the 18–24 and 25–34 age groups, a higher percentage of users use Facebook for a personal purpose than TikTok:

Figure 1.28: Comparison of usage of Facebook and TikTok among users aged 18–24 and 25–34²⁶⁶



1.4. Product ecosystems

Social media platforms have improved and expanded their offerings to users over time by developing new features and services, as well as through strategic acquisitions. Such expansion can enable social media platforms to improve the quality and breadth of their offerings.

As social media platforms generally offer their services to users at a zero monetary price, the expansion of features and services may enable platforms to:

- attract users to their platform
- keep users engaged on their platforms
- reduce the likelihood that users switch to their competitors.

Expansion may also provide social media platforms with more opportunities for targeted advertising and new opportunities to collect user data, increasing their ability to earn advertising revenue.²⁶⁷

²⁶⁶ Source: ACMA, [Communications and media in Australia: How we communicate](#), December 2022, section 3. This chart is based on data collected by the ACMA as part of its *Communications and media in Australia: How we communicate* consumer survey conducted in 2022. The sample size for the consumer survey was 3580 respondents. Data is weighted to represent the Australian population (based on telephone status, state/territory, age, gender, internet usage and education). The chart collates responses to a survey question asking respondents, who had previously reported that they used particular apps or websites, about whether they used in the past 7 days or 6 months for personal purposes broken down by age groups. The sample size for consumers aged 18–24 was 103 for Facebook and 63 for TikTok. The sample size for consumers aged 25–34 was 306 for Facebook and 102 for TikTok.

²⁶⁷ Bundeskartellamt, [B6-27/21: Case summary](#), 30 June 2022 (Decision 2 May 2022), accessed 14 March 2023, pp 3–4.

1.4.1. Innovation in social media features and replication

As described above, many social media platforms have developed new, innovative features to attract users to their platform. In some of these instances, developing innovative features has helped them to establish their operations as a social media platform through service differentiation (such as BeReal's use of timed, simultaneous posting for its users). In other instances, a new innovation by a competing platform may enable existing platforms to expand their offerings (such as Facebook and Instagram's Reels, replicating the short form video format popularised by TikTok).

The creation of new products and services can also be a source of richer user data and in turn more targeted advertising opportunities. Snapchat has developed augmented reality 'lenses' that allow users to 'try on' clothes from partner fashion brands by overlaying virtual clothing on images captured from their cameras. In turn, Snapchat collects data 'about the sort of clothes and footwear (a user) likes at partner shops to recommend and advertise new products (a user) may be interested in.'²⁶⁸

While some of these features may be unique to an individual platform, there are many examples of social media platforms replicating features or services offered by their competitors. Most recently, following BeReal's significant growth in popularity and active users globally in 2022, TikTok launched TikTok Now, a feature emulating BeReal's requirement for users are given a 3-minute window at a random time each day to post a picture or 10-second video.²⁶⁹ In late 2022, Instagram announced the testing of IG Candid, an in-house tab allowing users to upload and share a picture of themselves within a different 2-minute window each day.²⁷⁰ Instagram has also introduced a dual camera feature for Reels, emulating BeReal's simultaneous posting of images of the user and their surroundings.²⁷¹ As such, the replication of a rival's innovation is another source of expansion for platforms.

More recently, reports suggest that Meta is considering concepts for a new social media platform that will allow Instagram account holders to post and share real-time text updates, similar in functionality to the public sharing of tweets on Twitter.²⁷²

1.4.2. Expansion into related markets

Social media platforms may also expand into related products and services. Facebook introduced its Marketplace service in 2016, allowing users to connect for the purpose of buying and selling goods. This represents one of Meta's e-commerce services, alongside Facebook and Instagram's in-app shopping service. Marketplace 'was developed primarily' to facilitate buying and selling interactions that were already occurring between Facebook Users.²⁷³

While many organic posts on Facebook Marketplace may be between users or a business profile and user, Meta also allows for display advertising opportunities on the Marketplace

²⁶⁸ Snap Inc., [Snaps & Chats](#), accessed 14 March 2023.

²⁶⁹ W Oremus, ['BeReal is hotter than TikTok. So TikTok is copying it'](#), *The Washington Post*, 17 September 2022, accessed 14 March 2023.

²⁷⁰ K Bell, ['Instagram launches its BeReal clone, Candid Stories'](#), *Engadget*, 13 December 2022, accessed 14 March 2023.

²⁷¹ P Bandara, ['Instagram Lanches New 'Dual' Camera Feature, Similar to BeReal'](#), *PetaPixel*, 29 July 2022, accessed 14 March 2023.

²⁷² S Ray, ['Meta Is Creating A Decentralized Twitter Alternative Reportedly Codenamed 'P92''](#), *Forbes*, 10 March 2023, accessed 14 March 2023.

²⁷³ Meta, [Submission to the Report](#), 12 October 2022, p 22.

tab. Marketplace provides Meta with an additional service with which to collect user engagement data.²⁷⁴ Notably, this occurs in an environment 'where buyers expect to make a purchase, which means less buyer resistance to...sales messaging' in display advertising.²⁷⁵ The ACCC notes that TikTok Shop provides similar opportunities for TikTok to collect more user engagement data, and enhance its display advertising services. Reportedly, the scale and scope of TikTok's user data has allowed for display advertising to be shown to users recommending products they might like to purchase, driving new shopping behaviours in younger demographics based on the 'fear of missing out on the newest cultural trend.'²⁷⁶

1.4.3. Strategic acquisitions

Strategic acquisitions are another way that platforms can expand their services and features. Access to capital is necessary to realise strategic acquisitions, whether they involve the acquisition of a single entity or are part of a strategy to consistently acquire companies with access to a significant technology or user base. Meta (then Facebook) acquired WhatsApp in 2015 for US\$19 billion;²⁷⁷ and Instagram in 2012 for US\$715 million.²⁷⁸ It has been reported that TikTok acquired lip-syncing app Musical.ly in 2017 for between US\$800 million and \$1 billion.²⁷⁹

These acquisitions may confer advantages of scope. For example, Meta's (then Facebook) acquisition of WhatsApp provided advantages of scope in relation to data which it can use to improve the quality of Facebook's advertising targeting services.²⁸⁰ The ACCC has also previously expressed concern that acquisitions may have the effect of reducing competition for social media services by eliminating a potential competitor.²⁸¹ For example, Facebook (Meta)'s acquisition of Instagram occurred at a time where there was some indication of Instagram's capacity to evolve into a future competitor to Facebook.²⁸²

Strategic acquisitions also present challenges for competition agencies in having to 'speculate about changing digital habits by consumers, and the likelihood of firms to grow and develop to match those changing habits in the absence of a proposed acquisition.'²⁸³ The ACCC notes that strategic acquisitions are under greater scrutiny as social media platforms continue to evolve the products and services that they offer to consumers. In the US, the Federal Trade Commission has commenced proceedings to unwind Facebook's acquisitions of WhatsApp and Instagram.²⁸⁴ It also commenced proceedings against Meta's proposed merger with Within Unlimited, a virtual reality studio that

²⁷⁴ S Shead, '[How Facebook Marketplace Uses AI To Help Buyers and Sellers Do Deals](#)', *Forbes*, 3 October 2018, accessed 14 March 2023.

²⁷⁵ R Wang, '[How Businesses can use Facebook Marketplace to Increase Sales](#)', *DataFeedWatch*, accessed 14 March 2023.

²⁷⁶ S Wodinsky, '[TikTok will use your data to fuel its multibillion-dollar shopping mall – whether you know it or not](#)', *MarketWatch*, 25 October 2022, accessed 14 March 2023.

²⁷⁷ European Commission, '[Regulation \(EC\) No 139/2004 – Merger Procedure](#)', 3 October 2019, accessed 14 March 2023.

²⁷⁸ SEC, '[Quarterly report for the period ended September 30, 2012: Facebook, Inc.](#)', 24 October 2012, accessed 14 March 2023.

²⁷⁹ P Mozur, '[Musical.ly, a Chinese App Big in the U.S., Sells for \\$1 Billion](#)', *The New York Times*, 10 November 2017, accessed 14 March 2023

²⁸⁰ ACCC, '[Digital Platforms Inquiry Final Report](#)', 26 July 2019, p 80.

²⁸¹ ACCC, '[Digital Platforms Inquiry Final Report](#)', 26 July 2019, p 80.

²⁸² J Furman et al, '[UK Digital Competition Expert Panel, Unlocking Digital Competition](#)', 13 March 2019, p 98.

²⁸³ ACCC, '[Digital Platforms Inquiry Final Report](#)', 26 July 2019, p 80.

²⁸⁴ US Federal Trade Commission v Facebook, Inc., '[Complaint filed in the US District Court of Columbia](#)', 9 December 2020, pp 1-3, 50-52.

develops a leading virtual reality fitness app Supernatural. Meta is a leading provider of virtual reality devices and applications in the US.²⁸⁵ On 1 February 2023, under a sealed order, the US District Court for the Northern District of California did not uphold the US Federal Trade Commission’s motion for a preliminary injunction to block Meta from buying Within.²⁸⁶ Meta has now completed the acquisition and the US Federal Trade Commission is no longer pursuing this matter.²⁸⁷

In the UK, the Competition and Markets Authority ordered Meta to divest GIPHY, a searchable GIF library, after finding that the merger gave rise to, or was expected to result in, a substantial lessening of competition for the supply of social media services.²⁸⁸

The seventh interim report of the Digital Platform Services Inquiry will examine in greater detail the impact of the expanding ecosystems of digital platform service providers on competition, consumers, and the economy in Australia.²⁸⁹

²⁸⁵ US Federal Trade Commission, [Complaint: U.S. v Meta/Within](#), 11 August 2022, accessed 14 March 2023.

²⁸⁶ D McCabe and S Frenkel, '[Judge is Said to Let Meta’s Virtual Reality Deal Move Forward](#)', *The New York Times*, 1 February 2023, accessed 14 March 2023.

²⁸⁷ A Gold, [After court loss, FTC dismisses Meta-Within case](#), Axios, 25 February 2023, accessed 14 March 2023.

²⁸⁸ UK Competition and Markets Authority, [Completed acquisition by Facebook, Inc \(now Meta Platforms, Inc\) of Giphy, Inc, Final Report](#), 18 October 2022, accessed 14 March 2023, pp 15–16.

²⁸⁹ ACCC, Digital Platform Services Inquiry, [September 2023 Interim Report Issues Paper](#), 8 March 2023.

2. Display advertising on social media

Key points

- Australian businesses rely heavily on the advertising services provided by social media platforms. More than 80% of Australians are active social media users, with the average Australian aged 16-64 spending over 2 hours per day on social media.²⁹⁰ Without an active presence on social media, advertisers lose significant opportunities to reach their target audiences.
- Due to their limited scale and financial resources, small businesses are reliant on social media advertising, in particular the services offered by Meta's Facebook and Instagram, which can be highly targeted and have significant audience reach.
- According to analysis of Pathmatics data (Sensor Tower's digital advertising analytics service), from July 2022 to January 2023, Australia's 20 highest spending advertisers spent 78% (approximately A\$489 million) of their overall digital advertising budget on Facebook, Instagram, Snapchat and TikTok, while only allocating 22% to other digital channels such as websites.²⁹¹ Approximately 90% of the budget allocated to these platforms was spent on Meta services during this period.²⁹²
- Social media platforms do not offer advertisers sufficiently transparent or verifiable advertisement performance information, making it hard to accurately compare competing services and choose those which best suit their needs.

This chapter provides an overview of display advertising on social media, which is explored further from a competition and consumer harms perspective in chapters 3 and 4 respectively.

- **Section 2.1** provides an introduction into display advertising on social media in Australia. It focuses on the significance of display advertising to social media platforms and to Australian businesses of different sizes. It also highlights the role of data in the provision of social media advertising.
- **Section 2.2** discusses advertising performance verification challenges and advertiser harms associated with a lack of transparency and information asymmetry between social media platforms and advertisers. It also discusses issues with dispute resolution.

²⁹⁰ S Kemp, '[Digital 2023: Australia](#)', *Kepios*, 26 January 2023, accessed 14 March 2023.

²⁹¹ D Song, '[Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics](#)', *Mumbrella*, 16 January 2023, accessed 16 January 2023.

²⁹² D Song, '[Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics](#)', *Mumbrella*, 16 January 2023, accessed 16 January 2023.

2.1. Overview and importance of display advertising on social media

With Australian consumers spending nearly 6 hours a day online, digital advertising²⁹³ is now an essential way for advertisers to reach their target audiences.²⁹⁴ Digital advertising in Australia is expected to generate A\$16.2 billion by the end of 2023, across the following services:

- classifieds and directories – platforms for users to post and find businesses products or services
- search advertising – programs that look for and identify items in a database that correspond to keywords input by the user
- display advertising – all other types of online advertising, including on social media, for example, video, email, banner and audio advertising.²⁹⁵

2.1.1. Display advertising on social media

Social media display advertising options vary from platform to platform but commonly include a combination of text, images or video accompanied by a URL that links to a webpage for users to engage with further (including actions like making a purchase).²⁹⁶ For example, TikTok focuses on video advertising options, including:

- in-feed videos – advertising placed either at the bottom of organic TikTok videos or in the feed as part of the video queue
- brand takeovers – advertising that appears instantly when a user opens the TikTok app and is limited to one advertiser per day
- hashtag challenges – advertising that generally lasts a week and encourage users to share content on a brand's behalf
- branded lenses – advertising that appears as part of sponsored content created by a user with influence.²⁹⁷

Facebook advertising is more diverse and includes a range of video, text and image-based options for example:

- carousels – advertising featuring up to 10 images or videos in a swipe through format where each image or video has a unique link
- Messenger advertisements – appear in a user's chat tab in between other user messages
- overlay advertisements – placed directly on top of Reels as a banner or sticker at the start

²⁹³ The Report focuses on social media display advertising rather than the broader display advertising market. An examination of the open display advertising market is outside of the scope of the Report but may be found in the ACCC's Ad Tech Inquiry. See ACCC, [Ad Tech Inquiry Final Report](#), 28 September 2021.

²⁹⁴ S Kemp, '[Digital 2023: Australia](#)', Kepios, 26 January 2023, accessed 14 March 2023.

²⁹⁵ IBIS World, [Online Advertising in Australia](#), December 2022, accessed 24 March 2023.

²⁹⁶ Digital Marketing Institute, [Display Advertising](#), accessed 17 March 2023.

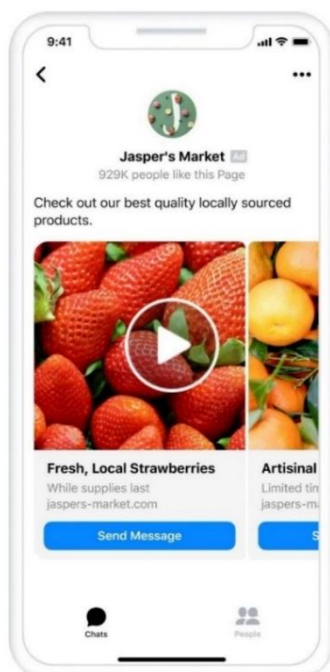
²⁹⁷ Business of Apps, [TikTok Ads](#), accessed 24 March 2023.

- poll advertisements – allow advertisers to survey their target audience with a question and offering 2 response answers.²⁹⁸

Figure 2.1: Examples of TikTok ‘in-feed’ and ‘hashtag challenge’ advertising²⁹⁹



Figure 2.2: Example of a Messenger advertisement on Facebook³⁰⁰



²⁹⁸ A Sheehan, '12 Types of Facebook Ads and Ideas to Win Customers', *Shopify*, 24 February 2022, accessed 17 March 2023.

²⁹⁹ TikTok for Business, [Advertising solutions](#), accessed 22 February 2023.

³⁰⁰ Meta, [Messenger ads: advertise and extend your reach on Messenger](#), accessed 22 February 2023.

2.1.2. The role of data in social media advertising

Targeted advertising tools on social media platforms are attractive to businesses who advertise online, as they provide the potential to directly reach the intended consumers at a lower cost than traditional advertising options.

The ability to better target an advertisement to a consumer's interests increases the likelihood of engaging the consumer, and achieving the desired action (for example, making a purchase). This can result in higher returns to the advertiser on the advertising spend. In general, the larger the user base of a platform and the more time users spend on the platform, the more data the platform can collect, leading to larger platforms being able to offer more detailed targeting to advertisers.

The ACCC considers that there may be a tension between protecting consumer privacy (explored further in chapter 4) and providing cost-effective advertising solutions backed by detailed user data to attract and retain advertisers' business. Some consumers may prefer seeing advertisements for goods and services that are more relevant to their interests.³⁰¹ However, research has also demonstrated that over half of Australians are uncomfortable, or very uncomfortable, with targeted advertising based on what they have said and done online.³⁰²

The Australian Association of National Advertisers (AANA) submits that 'Facebook/Instagram and YouTube currently provide the most detailed data sets, excellent viewing time and reach and therefore are the current must-have platforms for advertisers.'³⁰³

Given the significance of consumer data to advertisers, access to less granular data may affect platforms and advertisers alike. In April 2021, Apple released the iOS14.5 mobile operating system which included a new privacy feature called App Tracking Transparency (ATT). ATT allows iOS users to turn off tracking permissions on their mobile apps, including an Apple identifier which shares data about the user's activity with data brokers and other third parties for targeted advertising purposes.³⁰⁴ The ACCC understands that this does not impact a platform's ability to collect and use its own first-party data, but limits its ability to track users across other apps.

Following the implementation of ATT, Snap announced that its impact was larger than anticipated,³⁰⁵ claiming that it accounted for an 11% decline in its brand advertising revenue in 2022,³⁰⁶ and TikTok lowered its worldwide revenue targets by US\$2 billion.³⁰⁷ One study also estimated that the changes would create revenue losses of over 7% for both YouTube and Twitter.³⁰⁸ While other factors may have contributed to the general reduction in advertising spending around this time, several platforms listed ATT as a key

³⁰¹ ACCC, [Ad Tech Inquiry Final Report](#), 28 September 2021, p 4.

³⁰² ACCC, [Ad Tech Inquiry Final Report](#), 28 September 2021, p 4.

³⁰³ AANA, [Submission to the Report](#), September 2022, p 3.

³⁰⁴ Apple Developer, [Upcoming App Tracking Transparency requirements](#), 20 April 2021, accessed 27 January 2023.

³⁰⁵ The Motley Fool, [Snap Inc. Q3 2021 Earnings Call Transcript, 21 October 2021](#), accessed 16 February 2023.

³⁰⁶ A Vargas, ['Snap blames ATT for flat Q4 and negative Q1 forecast'](#), *Ad Exchanger*, 1 February 2023, accessed 16 February 2023.

³⁰⁷ E Seufert, ['TikTok and ATT'](#), *Mobile Dev Memo*, 10 November 2022, accessed 16 February 2023.

³⁰⁸ P Mcgee, ['Snap, Facebook, Twitter and YouTube lose nearly \\$10bn after iPhone privacy changes'](#), *Financial Times*, 1 November 2021, accessed 16 February 2023.

contributor to the decline in their revenue. For example, Meta described ATT as a 'significant headwind', while Snap claimed the changes marked the beginning of the company's 'deceleration' over the period.³⁰⁹

Meta estimated that ATT would result in a revenue loss of approximately US\$10 billion in 2022.³¹⁰ It argued the changes would significantly impact Meta's ability to support smaller businesses in reaching their target audiences, which could limit their growth and ability to compete with larger businesses.³¹¹ However, according to marketing performance agency Tinuiti, the ATT changes have only had a minimal impact on Meta's advertising sales, noting that while Meta may need to adjust its strategy slightly, its targeting is still powerful, and will continue to attract advertisers because of its significant user base and its ease of use.³¹²

While increased privacy protection initiatives may create challenges for social media platforms in the short term, the ACCC considers they may also provide incentives for platforms to create more privacy-friendly advertising options in future. For example, Meta is reportedly developing a new 'Basic Ads' product which would use significantly less user data for advertising, and which may be a cheaper advertising alternative for smaller businesses.³¹³

2.1.3. The significance of advertising to social media platforms

Social media platforms compete for users by providing valuable consumer-facing services. They also build rich databases of user information based on their online activities, collected from their consumer-facing services as well as other tracking technologies. As discussed in chapter 1, the monetisation of user attention and data through selling digital advertising is essential to the business model of social media platforms.

Advertising is currently the most significant revenue generator for social media platforms globally.³¹⁴ This means that the success of a social media platform is driven by its ability to capture user attention and individual-level user data, which is used to improve the effectiveness of advertisements through better targeting or personalisation.

Australia is estimated to be the fifth largest social media advertising market globally,³¹⁵ and social media platforms earn significant advertising revenue in Australia, with Meta's platforms earning the highest revenue. Figure 2.3 below shows the combined Australian advertising revenue of YouTube, TikTok, Twitter and Snapchat is significantly less than Meta's Australian advertising revenue.

³⁰⁹ E Massey, '[How a small change in Apple iPhone's privacy feature is threatening business model of social media companies](#)', *Outlook*, 12 November 2022, accessed 2 March 2023.

³¹⁰ Meta, '[Q4 2021 Earnings](#)', 2 February 2022, accessed 26 January 2023.

³¹¹ D Levy, '[Speaking Up for Small Businesses](#)', *Meta*, 16 December 2020, accessed 26 January 2023.

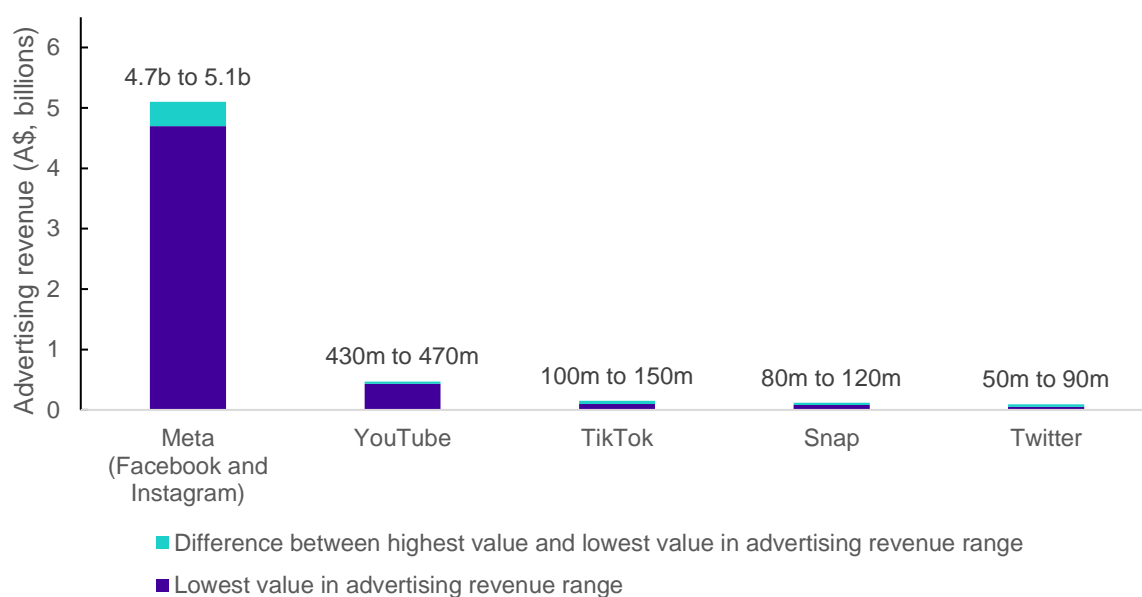
³¹² M Burgi, '[Tinuiti Report: Facebook still in hot demand with clients, despite Apple ATT hit](#)', *Digiday*, 21 January 2022, accessed 16 February 2023.

³¹³ A Hutchinson, '[Meta is Developing a New 'Basic Ads' Product for Facebook to Counter Losses Due to Data Privacy Concerns](#)', *Social Media Today*, 3 June 2022, accessed 27 January 2023.

³¹⁴ G McFarlane, '[How Facebook \(Meta\), Twitter, social media make money from you](#)', *Investopedia*, 2 December 2022, accessed 16 February 2023.

³¹⁵ A Ramshaw, '[Social Media Statistics for Australia](#)', *Genroe*, January 2023, accessed 14 February 2023

Figure 2.3: Australian advertising revenue on selected platforms July 2021 – June 2022³¹⁶



In early 2023, Meta highlighted the significance of advertising revenue to its business by announcing a shift away from building the Metaverse to focus more on productivity, cost structure and higher returns on advertising spend.³¹⁷

One challenge that platforms face is the competing incentives to meet the expectations of users, and those of prospective advertisers. While consumers may generally prefer less exposure to advertising, a higher proportion of advertising could provide platforms with greater revenue, if users continue to use their services.

Given that advertising is the key source of revenue for social media platforms, their ability to monetise user attention and data may also affect their capacity to invest in new features and services. New products and services can help platforms attract and retain users, which can provide greater opportunities for revenue generation through advertising.

For example, in February 2022, a year after introducing Reels advertising on Instagram, Meta globally rolled out short-form video advertising on Facebook.³¹⁸ This provided new ways to advertise on the platform, and was expanded in October 2022 to include post-

³¹⁶ Data provided to the ACCC by Meta, Google (YouTube), TikTok, Snap and Twitter. The ACCC notes that advertising revenue ranges included in this Figure are estimates and are not based on data that is recorded during the platforms ordinary course of business.

In relation to Meta – the ACCC notes that advertising revenue figures for Facebook and Instagram in Australia relate to the amount of advertising revenue from customers in Australia based on the location of the invoiced party (which may differ from the country in which the advertisements are shown). The ACCC understands that these figures are not recorded in the ordinary course of business by Facebook Australia and are not audited, verified or otherwise reported on. As such, the ACCC considers that these are approximate estimates of relevant advertising revenue attributable to Australia for Facebook and Instagram.

In relation to YouTube – ACCC estimate derived by taking YouTube gross advertising revenue less revenue share payments to eligible YouTube creators, artists and partners based on advertisements displayed or streamed on public videos on their content Watch Page. See: YouTube Help, [YouTube partner earnings overview](#), accessed 9 March 2023. The basis on which the gross revenue was provided is not directly comparable to the methodology used for Google’s externally reported global and Australian advertising revenue.

³¹⁷ S Buckingham Jones, [‘Meta to focus less on metaverse, more on revenue and AI’](#), *Australian Financial Review*, 6 February 2023, accessed 16 February 2023.

³¹⁸ Meta, [Launching Facebook Reels Globally and New Ways for Creators to Make Money](#), 22 February 2022, accessed 10 January 2023.

loop³¹⁹ and carousel advertisements.³²⁰ According to Meta's 2022 quarterly earning calls, its Reels function is a key component of its monetisation, attraction and retention strategies for advertisers, influencers and users.³²¹

In October 2022, Meta also announced additional ways to advertise on Instagram.³²² Advertisers can now place advertisements in the 'explore home' and 'profile feeds'. They can also use 'multi-advertiser' services, which use machine learning to identify users with an intent to shop, and present them with relevant advertisements from different advertisers.³²³

2.1.4. The significance of advertising on social media to Australian businesses

Social media services are critical for Australian businesses to advertise, engage and communicate with consumers. According to the Digital 2023 Australia Report, 81% of Australians actively use social media, and the average time spent using these services is 2 hours and 4 minutes daily.³²⁴ Without an active presence on social media, advertisers would lose significant opportunities to advertise their products and services.

Social media platforms provide advertisers the ability to target individual users, which is not a feature of traditional advertising such as on radio or television. They also provide businesses the potential for rapid advertising conversion as users may go from viewing an advertisement, to clicking on it, to adding a product to their cart and placing an order in a short period of time. While this is a feature shared by other forms of online advertising, it is less common in offline contexts where businesses rely on a viewer's memory of the advertisement and subsequent purchasing.

The AANA submits that advertising on social media platforms provides advertisers with the unique ability to interact with consumers and provide feedback.³²⁵ As businesses can maintain a presence on the platform as well as advertise, businesses can engage with consumers on the same service after they interact with an advertisement. Social media platforms also provide opportunities for highly specific and effective targeting which, in some cases, significantly reduces costs that would otherwise be wasted.³²⁶ The AANA also emphasised that advertisers are attracted to platforms with the greatest audience size, reach potential, richest data sets and most time spent on the platform, which in this instance are Meta's Facebook and Instagram services.³²⁷ Pinterest also noted that advertisers use social media services due to ease of use, low entry costs, the ability to obtain meaningful campaign and audience insights, and their advertising format options.³²⁸

³¹⁹ Post-loop advertisements appear for 4 to 10 seconds after a Reel has ended.

³²⁰ K Paul, '[Meta pushes Reels monetisation with new ad formats](#)', *Reuters*, 5 October 2022, accessed 10 January 2023.

³²¹ Meta, '[Q3 2022 Earnings Call Transcript](#)', 26 October 2022, accessed 23 January 2023.

³²² Instagram, '[Announcing new Instagram ads surfaces and tools to help businesses reach more customers](#)', 4 October 2022, accessed 10 January 2023; S Perez, '[Instagram to increase ad load as Meta fights revenue decline](#)', *TechCrunch*, 5 October 2022, accessed 10 January 2023.

³²³ Instagram, '[Announcing new Instagram ads surfaces and tools to help businesses reach more customers](#)', 4 October 2022, accessed 10 January 2023; S Perez, '[Instagram to increase ad load as Meta fights revenue decline](#)', *TechCrunch*, 5 October 2022, accessed 10 January 2023.

³²⁴ S Kemp, '[Digital 2023: Australia](#)', *Kepios*, 26 January 2023, accessed 17 March 2023.

³²⁵ AANA, '[Submission to the Report](#)', 12 October 2022, p 2.

³²⁶ AANA, '[Submission to the Report](#)', 12 October 2022, p 2.

³²⁷ AANA, '[Submission to the Report](#)', 12 October 2022, p 2.

³²⁸ Pinterest, '[Submission to the Report](#)', 12 October 2022, pp 2-3.

While the use of social media advertising is not exclusive to one type or size of business, businesses of different scales appear to employ these services for different reasons.

Small and medium businesses

In 2019, the ACCC's DPI Final Report identified that both Google and Facebook's display advertising services are important for smaller businesses.³²⁹ This was reiterated by the UK Competition and Markets Authority in its Online Platforms and Digital Advertising Marketing Study, which identified that despite larger advertisers accounting for the majority of advertising revenue for both Google and Facebook, their services have 'opened up access to sophisticated and targeted advertising for millions of small businesses around the world'.³³⁰ The UK Competition and Markets Authority also highlighted that small businesses now have access to greater advertising possibilities and predominantly online businesses have the ability to thrive, which would otherwise not have been possible.³³¹

Small and medium sized enterprises (SMEs) generally have fewer resources to allocate to social media advertising than large businesses. For example, in 2020, 79% of SMEs managed their social media internally, and the average annual SME spend on social media advertising was A\$7,586, with medium-sized businesses spending almost triple the amount of small businesses on advertising.³³² Due to these constraints, SMEs may not have the capacity to diversify in the same way as larger businesses. An industry stakeholder advised that due to a lack of resources, SMEs tend to consolidate their social media advertising spend on 1 or 2 large platforms.³³³

Given their advertising spend is typically concentrated on fewer platforms, SMEs are likely to prioritise platforms which allow them to target and reach their desired audience. Meta's social media advertising services remain important to SMEs in Australia today, given its large user base, the range of advertising options Meta provides, opportunities for ecosystem-wide advertising, and its targeting capabilities.³³⁴ The Association for Data-Driven Marketing and Advertising's (ADMA) submission supports the conclusion that incumbent platforms like Meta's Facebook have the best offering for SMEs, given they can access data economies of scale to train their algorithm and improve targeting capabilities, whereas emerging competitors like Snap and TikTok are less broadly available to SMEs with their current services.³³⁵ There are several reasons why these services may not be a good alternative. For example, small businesses may not choose to dedicate advertising spend to TikTok given it offers relatively few advertising formats, or may find the costs associated with Snapchat advertising via customised augmented reality filters too high.

These observations are reflected in Australian trends. A 2023 survey of 250 Australian business owners found that 70% of Australian SMEs use Facebook, with the next most popular site being Instagram (52%). They also reported that SMEs predominantly use a mix of both organic content and advertisements to reach consumers, as opposed to focusing solely on publishing only one kind of content. Of all platforms, Facebook and

³²⁹ ACCC, [Digital Platforms Inquiry Final Report](#), 26 July 2019, pp 57-118.

³³⁰ UK Competition and Markets Authority, [Online platforms and digital market study, Final Report](#), 1 July 2020, pp 42-73.

³³¹ UK Competition and Markets Authority, [Online platforms and digital market study, Final Report](#), 1 July 2020, pp 42-73.

³³² Yellow Pages, [Yellow Social Media Report 2020: Business Statistics](#), p 2.

³³³ Confidential meeting with industry stakeholder, published with consent.

³³⁴ H Macready, ['How to do social media marketing for small businesses'](#), *Hootsuite*, 7 November 2022, accessed 24 March 2023.

³³⁵ ADMA, [Submission to the Report](#), 12 October 2022, p 7.

Instagram were most likely to be used for organic content only, while TikTok and Twitter were among the least likely.³³⁶

Meta considers that personalised advertising capabilities, such as those offered by its Facebook service, help SMEs overcome issues starting their business, such as limited scale, financial resources and brand recognition.³³⁷ In a 2021 survey of 1,000 SMEs in Australia, Meta identified that:

- 82% used Facebook apps to help start their business
- 71% reported that personalised advertising is important for business success
- 64% reported Facebook apps are important for obtaining feedback.³³⁸

For example, in late 2020, Australian SME budgeting service, Deferit, advertised on Facebook using its carousel photo advertisements and Conversions API to reach its desired audience more efficiently and effectively. This resulted in a 45% decrease in customer acquisition costs, while its customer conversion rate more than doubled.³³⁹ Deferit credited Facebook's Conversion API with providing valuable insights into off-Facebook actions taken by customers as well as improving the effectiveness of its marketing campaigns.³⁴⁰

While Meta and other social media advertising services have provided SMEs with meaningful access to 'do it yourself' targeted advertising, choosing to advertise on social media also provides challenges, particularly in the area of customer support (discussed further at section 2.2.2).

Large businesses

Large businesses dedicate a significant portion of their advertising budgets to social media services, and particularly to Meta services (see figures 2.6 and 2.7). From July 2022 to January 2023, Australia's top 20 highest spending advertisers spent 78% (approximately A\$489million) of their overall digital advertising budget on Facebook, Instagram, Snapchat and TikTok, while only allocating 22% to other digital channels such as websites.³⁴¹

³³⁶ GetApp, [How do Australian SMEs keep up with trends in social media?](#), 17 February 2023, accessed 23 February 2023.

³³⁷ Meta, [Dynamic Markets Report: Australia](#), October 2021, p 5.

³³⁸ Meta, [Dynamic Markets Report: Australia](#), October 2021, p 5.

³³⁹ Meta, [Deferit Case Study](#), accessed 16 January 2023.

³⁴⁰ Meta, [Deferit Case Study](#), accessed 16 January 2023.

³⁴¹ D Song, [Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics](#), *Mumbrella*, 16 January 2023, accessed 16 January 2023.

Figure 2.4: Proportion of advertising spend across Facebook, Instagram, Snapchat and TikTok by the 20 highest spending digital advertisers in Australia, July 2022 – January 2023 (Mumbrella)³⁴²



Large businesses are more likely than SMEs to diversify their advertising approaches by using multiple social media platforms, alongside other online avenues and offline alternatives. This may be due to their substantial financial and staffing resources as well as their desire to reach larger portions of the Australian population. In particular, they have a greater capacity to leverage specialised advertising features provided by different platforms to create impactful campaigns.

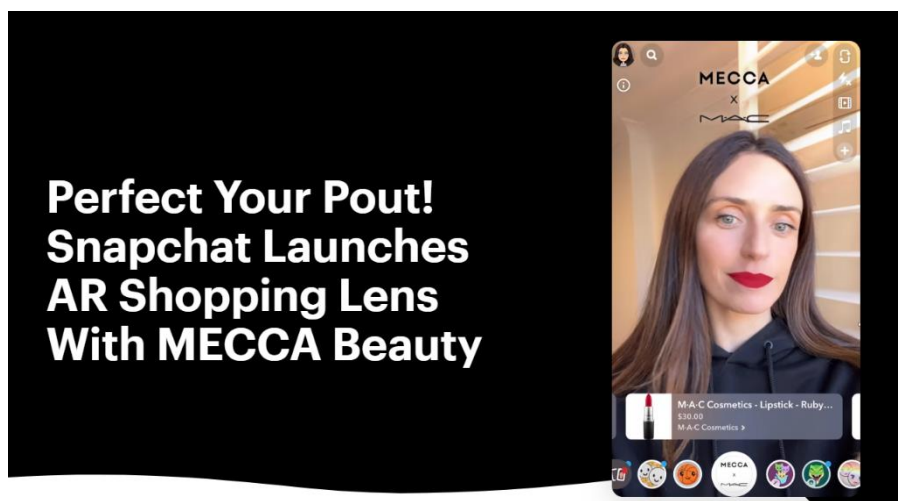
For example, Australia’s largest beauty retailer, MECCA, advertises on a range of online services, including Facebook, Instagram, TikTok, Snapchat and YouTube.³⁴³ In 2022, it launched a new lipstick line via a Snapchat augmented reality lens which allowed users to virtually browse and try on lipsticks, then purchase directly from MECCA through the Snapchat app. The campaign resulted in a 400% increase in purchases and a 370% increase in purchase value, compared to benchmarks from campaigns without augmented reality lens products.³⁴⁴

³⁴² D Song, ‘Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics’, *Mumbrella*, 16 January 2023, accessed 16 January 2023. Note that this is a graphical representation of the data provided in the footnoted article.

³⁴³ Source: Sensor Tower data (Pathmatics).

³⁴⁴ Snapchat for Business, [Snapchat Launches AR Shopping Lens with MECCA Beauty](#), accessed 19 January 2023.

Figure 2.5: Example of a Mecca Beauty Augmented Reality Shopping Lens on Snapchat³⁴⁵



Despite being able to consider and use a broader range of advertising platforms than SMEs, large businesses also rely heavily on Meta services, especially Facebook. From July 2022 to January 2023, Australia's 20 highest spending advertisers allocated 90% of their spend across Facebook, Instagram, TikTok and Snapchat to Meta's services.³⁴⁶

Large advertisers may also benefit from greater access to individualised customer service from social media platforms, which may assist these advertisers in selecting the most effective advertising tools according to their campaign goals. For example, in 2020, National Australia Bank (NAB) used Facebook to create a new customer service offering as part of its business lending service. Using Messenger, NAB was able to lower its cost per online inquiry by 83% compared to standard advertisements on a user's feed.³⁴⁷

Similarly, Hewlett-Packard Australia tested Facebook's in-stream video advertising product in a standalone campaign for its ENVY and Spectre range in December 2021. The campaign resulted in a 75% higher video complete rate, compared to a regular video advertising campaign.³⁴⁸

³⁴⁵ Snapchat for Business, [Snapchat Launches AR Shopping Lens with MECCA Beauty](#), accessed 19 January 2023.

³⁴⁶ D Song, ['Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics'](#), *Mumbrella*, 16 January 2023, accessed 16 January 2023.

³⁴⁷ Meta, [NAB: Facebook Ads Case Study](#), accessed 16 January 2023.

³⁴⁸ Meta, [HP Australia: Facebook Ads Case Study](#), accessed 16 January 2023.

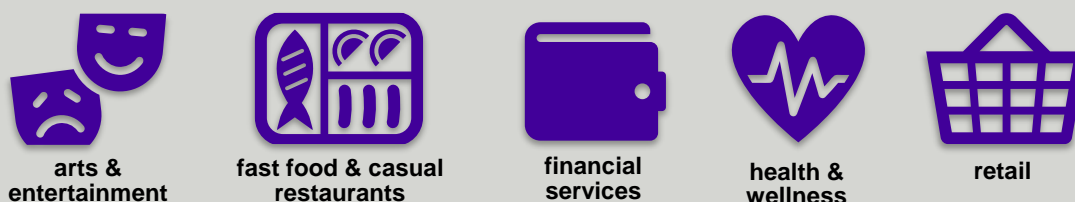
Figure 2.6: Advertising spend (A\$ millions) of Australia's 20 highest spending digital advertisers on Facebook, Instagram, Snapchat and TikTok, July 2022 – January 2023 (Mumbrella)³⁴⁹

Company	Facebook	Instagram	Snapchat	TikTok	Total	Share of ad spend
Woolworths	\$13.17	\$8.42	\$0.04	\$0.72	\$22.35	79%
Telstra Corporation Limited	\$15.18	\$3.87	\$0.04	\$0.31	\$19.40	91%
Disney	\$7.52	\$3.34	\$1.69	\$2.45	\$15.01	80%
Westpac Banking Corporation	\$13.29	\$1.05	\$0.50	\$0.11	\$14.95	83%
Chemist Warehouse	\$11.06	\$2.70	\$0	\$0.30	\$14.06	78%
Yum! Brands	\$8.55	\$3.17	\$0.75	\$1.39	\$13.86	63%
PepsiCo, Inc.	\$5.73	\$5.33	\$0.24	\$2.52	\$13.82	75%
Amazon.com	\$4.10	\$5.28	\$1.73	\$1.60	\$12.70	56%
McDonald's	\$5.50	\$3.32	\$0.52	\$2.21	\$11.55	61%
Google	\$9.82	\$0.94	\$0.04	\$0.17	\$10.97	96%
Paramount Network	\$5.41	\$4.21	\$0.55	\$0.43	\$10.59	83%
Samsung	\$3.97	\$4.23	\$0.61	\$1.72	\$10.53	79%
Macquarie Group	\$9.34	\$0.77	\$0	\$0	\$10.11	90%
Insurance Advertiser (unnamed)	\$9.03	\$0.44	\$0	\$0	\$9.47	90%
Mondelez International	\$5.77	\$2.94	\$0.16	\$0.58	\$9.45	76%
Adobe Systems	\$4.57	\$3.64	\$0.82	\$0.32	\$9.35	80%
Fever Labs, Inc.	\$6.21	\$2.84	\$0	\$0.17	\$9.22	96%
L'Oreal	\$2.59	\$4.98	\$0.17	\$1.36	\$9.10	78%
Uber Technologies, Inc.	\$5.00	\$1.99	\$0.66	\$1.37	\$9.01	80%
SingTel Optus Pty Limited	\$7.00	\$1.71	\$0	\$0.21	\$8.92	80%
TOTAL	\$152.80	\$65.20	\$8.50	\$17.93	\$244.43	

³⁴⁹ D Song, 'Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics', *Mumbrella*, 16 January 2023, accessed 16 January 2023. Note that this is a modified replication of the table provided in the referenced article. Modifications include presenting \$A figures in millions rather than thousands and changing the 'total social' column heading to 'total' to reflect that these businesses may also have allocated funding to other social media platforms that were not included. The '% social' column heading has also been changed to 'share of digital advertising spend' to clarify that this column refers to the total percentage of digital advertising spend on Facebook, Instagram, Snapchat and TikTok as opposed to other digital channels. 'Share of ad spend' means share of total digital advertising spend.

Box 2.1: Large businesses advertising on Facebook, Instagram, Snapchat and TikTok

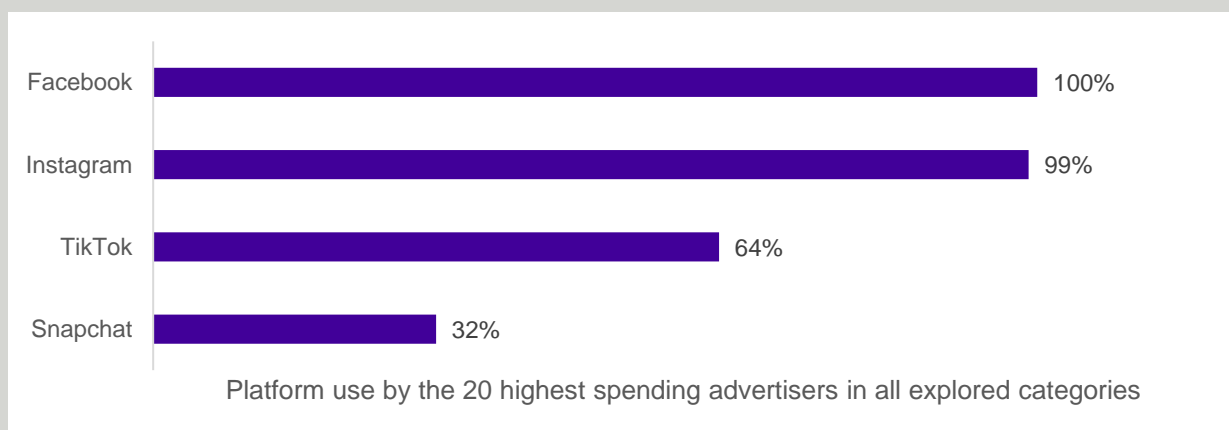
Using Pathmatics, Sensor Tower's digital advertising analytics service,³⁵⁰ the ACCC examined the 20 highest spending advertisers on Facebook, Instagram, TikTok and Snapchat in each of the following categories of advertising over the period of 1 July 2022 to 1 January 2023:



The ACCC identified that of the top 20 businesses across each of the 5 categories listed above:

- (a) 100% use Meta's Facebook advertising services and an average of 99% per category used those offered by Instagram.
- (b) An average of 64% per category advertise on TikTok, while an average of only 32% per category advertise on Snapchat.
- (c) Approximately 67% per category advertise on Meta services and at least one of TikTok and Snapchat while only 33% advertise on Meta services alone.
- (d) TikTok and Snapchat's advertising services are used more frequently for 'retail' and 'fast-food and casual restaurant' categories, than for 'financial services' and 'health and wellness' respectively.

Figure 2.7: Platform use by the 20 highest spending advertisers Jul 22 – Jan 23³⁵¹



These results indicate that Meta's Facebook and Instagram services are highly significant to large advertisers on social media. Other platforms are also used, and it is possible that they are leveraged where businesses identify additional opportunities to reach their target audience.

³⁵⁰ Source: Sensor Tower data (Pathmatics). This analysis is based on the top 20 advertisers in Australia by advertising spend in each of 5 categories during the period 1 July 2022 to 1 January 2023, as identified by Pathmatics. For each of these categories, the ACCC used Pathmatics to identify whether this top 20 advertiser had used each of Facebook, Instagram, TikTok and Snapchat (other large social media services, including YouTube, were unavailable for comparison at the time of conducting this research). The ACCC then counted the number of advertisers who had spent money on each platform during the selected period. By dividing the number of advertisers across all categories by total advertisers across all categories (top 20 x 5 categories = 100), the ACCC calculated the proportion of top advertisers spending money on each platform during this period in Australia.

2.2. Advertiser concerns

2.2.1. Transparency – advertising performance claims are hard to substantiate

For competition in the supply of social media advertising services to be effective, advertisers need to be able to assess and compare the price and quality of competing providers' services so that they can choose the providers that best suit their needs.

The advent of digital advertising has provided significant opportunities for advertisers to track and monitor advertising performance through data that is collected and shared with advertisers. While digital advertising has allowed advertisers to monitor the performance of advertising more closely, there are concerns about the level of transparency that advertisers receive about the performance of advertising on social media platforms.

To properly assess the performance of advertising on different social media platforms, advertisers need comparable information about the operation and performance of advertising on each individual platform. Market feedback indicates that advertisers want data from digital platforms that provides sufficient evidence that they can reach their desired audience and accurately assess their campaign's performance.³⁵² Advertisers also want to know that representations made by platforms can be relied on and trusted.³⁵³

Advertisers rely on the performance claims and metrics available to them through social media platforms to assess performance and allocate budget to these platforms. However, they may not be able to verify the accuracy of specific claims made about the performance of their advertising campaigns. Inaccuracies may lead to wasted campaign funds and lower levels of engagement for advertisers.

SBS submitted that it is relatively easy for advertisers to obtain basic performance data such as cost per advertisement impression and number of impressions and clicks, which assists in comparing advertising performance on different social media platforms.³⁵⁴ However, advertisers have raised the following key concerns regarding the accuracy of the performance data provided by social media platforms:

- the methodology for generating performance data is not always available
- where data is provided, it is usually in aggregate form
- the degree to which platforms allow advertisers to use third parties to independently verify targeting, performance, viewability and brand safety data is limited.³⁵⁵

This means that advertisers often rely on platforms' estimates of advertising performance without the ability to substantiate their claims.³⁵⁶ AiMCO similarly submitted that while advertising performance metrics are available, each platform has its own definitions and may calculate their metrics differently, which makes comparing services challenging.³⁵⁷

³⁵¹ Source: Sensor Tower data (Pathmatics).

³⁵² Confidential meeting with industry stakeholder, published with consent.

³⁵³ Confidential meeting with industry stakeholder, published with consent.

³⁵⁴ SBS, [Submission to the Report](#), 12 October 2022, p 4.

³⁵⁵ SBS, [Submission to the Report](#), 12 October 2022, p 4.

³⁵⁶ SBS, [Submission to the Report](#), 12 October 2022, p 4.

³⁵⁷ AiMCO, [Submission to the Report](#), 12 October 2022, p 8.

These concerns are also shared internationally. For example, in its Online Platforms and Digital Advertising Marketing Study, the UK Competition and Markets Authority identified advertisers' concerns over restrictions on third-party advertising verification.³⁵⁸ These restrictions increased the likelihood of negative outcomes for advertisers, such as being misinformed about the impact of an advertisement and being disproportionately charged a higher fee as a result.³⁵⁹

Further, in its 2023 Industry Pulse Report, Integral Ad Science (IAS), found that 66% of US advertisers are likely to spend less on social media advertising where the advertising quality metrics are not transparent.³⁶⁰ As concerns with transparency for advertisers do not appear to be specific to any one platform, advertisers may be unlikely to switch between social media platforms in response to insufficient transparency.

Platforms such as Facebook, Instagram, Snapchat, TikTok and Twitter have developed partnerships with third-party services to provide businesses with additional information relating to their platform advertisements. For example, Meta's Facebook service provides some third-party viewability verification measures that can assist in understanding how many advertising impressions were viewed by an advertiser's audience and for how long.³⁶¹ Third-party verification providers include Moat, IAS, Comscore, DoubleVerify and Meetrics.³⁶²

While third-party verification tools can be useful to advertisers on social media, engaging third-party verifiers can be costly, making them less likely to be used by small businesses. These services are also unlikely to make up for insufficiently transparent advertising performance data provided to advertisers which result in a lack of trust and confidence in the supply of social media advertising services. A stakeholder advised that this, in part, is due, in part, to third-party verification tools only having access to a limited dataset provided by the platforms.³⁶³ As a result, the ACCC considers that currently these partnerships with third-party verification providers do not overcome the transparency issues described above.

2.2.2. Dispute resolution

Given the significance of social media advertising services to Australian businesses, it is essential that relevant platforms provide advertisers with access to timely and effective customer support and dispute resolution mechanisms, especially SME advertisers who rely on social media platforms to reach their customers. Without such measures, power imbalances between advertisers and social media platforms may be exacerbated, and advertisers may suffer significant harms such as financial loss from being locked out of their account or reputational damage from being unable to remove fake reviews.

Industry participants have identified this as an area of concern, for example, a stakeholder advised they stopped offering Facebook advertising services to their clients due to a lack of confidence that any issues would be resolved and access to an account manager

³⁵⁸ UK Competition and Markets Authority, [Online platforms and digital market study, Final Report](#), 1 July 2020, p 300.

³⁵⁹ UK Competition and Markets Authority, [Online platforms and digital market study, Final Report](#), 1 July 2020, p 300.

³⁶⁰ Integral Ad Science, [2023 Industry Pulse Report: US Edition](#), October 2022, p 23.

³⁶¹ Meta Business Help Centre, [How do Facebook's third-party viewability verification integrations work?](#), accessed 17 January 2023.

³⁶² Meta Business Help Centre, [How do Facebook's third-party viewability verification integrations work?](#), accessed 17 January 2023.

³⁶³ Confidential meeting with industry stakeholder, published with consent.

would require an extremely high campaign spend.³⁶⁴ Another stakeholder indicated that while large advertisers generally have access to human customer support, SMEs do not share those opportunities.³⁶⁵

In some circumstances, social media advertisers may need to resort to costly and time-consuming methods of resolving disputes against social media platforms. For example:

- In 2016, a group of advertisers filed a lawsuit that claimed that Facebook had been overestimating the viewing of video advertisements on its platform and had known about the problem for more than a year before disclosing this to advertisers in 2016. The lawsuit claimed that the average viewership metrics had been inflated by between 150–900%, and that Facebook failed to act when it discovered the video metric error.³⁶⁶ Facebook settled the lawsuit for US\$40 million in 2019.³⁶⁷
- In a 2018 lawsuit, advertisers accused Facebook of inflating its advertising reach figures by increasing expected user views by up to 400%.³⁶⁸ The complaint alleged this figure was inflated by duplicate and fake accounts which Facebook allegedly knew about. In March 2022, US courts determined the case is eligible to proceed.³⁶⁹

The ACCC continues to support its recommendations in its Regulatory Reform Report that digital platforms comply with mandatory dispute resolution standards that provide access to timely, transparent and accountable human support from digital platforms, including those which provide social media services; and where internal issues cannot be resolved, small businesses should have access to external dispute resolution, through a Digital Ombuds Scheme.³⁷⁰

³⁶⁴ Confidential meeting with industry stakeholder, published with consent.

³⁶⁵ Confidential meeting with industry stakeholder, published with consent.

³⁶⁶ S Vranica, '[Advertisers Allege Facebook Failed to Disclose Key Metric Error for More Than a Year](#)', *The Wall Street Journal*, 16 October 2018, accessed 10 January 2023.

³⁶⁷ A Hutchinson, '[Facebook to Pay \\$40 Million in Settlement Over Inflated Video Metrics](#)', *Social Media Today*, 8 October 2019, accessed 10 January 2023.

³⁶⁸ A Nair and J Stempel, '[Facebook advertisers can pursue class action over ad rates](#)', *Reuters*, 30 March 2022, accessed 10 January 2023.

³⁶⁹ A Nair and J Stempel, '[Facebook advertisers can pursue class action over ad rates](#)', *Reuters*, 30 March 2022, accessed 10 January 2023.

³⁷⁰ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), September 2022, ch 4.

3. Competition assessment

Key findings

- Meta has a significant degree of market power and faces weak competitive constraints from other social media platforms for the provision of social media services to consumer users. This is especially apparent for users aged 25 and above, who are less likely to use TikTok than younger users. The ACCC considers that a high degree of market power is likely to remain in the short to medium term.
- Meta's closest competitors are TikTok, Twitter and Snapchat. These platforms each, to varying degrees, facilitate social connections through the features that they offer and the way that users use the service. Other social media services, such as YouTube, are significantly differentiated as they lack features designed to facilitate social connections, and are used by users differently (for example, YouTube is often accessed through connected TVs).
- Other platforms are a weak competitive constraint to Meta because there is differentiation between platforms:
 - in the functionality that is offered to users, and
 - in the way that users use each of the platforms.

There are also differences in the number of users, and their demographics, on each platform.

- Barriers to entry and expansion for the provision of social media services remain high, despite the entry of TikTok and BeReal. In particular, the barriers to reaching scale and monetising are significant for new entrants.
- Users of social media services may be more likely to experience harms as a result of market power, including harms related to advertising, privacy and excessive data collection.
- Meta has a strong position among social media platforms in the supply of display advertising services, with advertising on Meta's Facebook and Instagram platforms an important way for advertisers to reach potential customers.
- Meta's position in advertising may reinforce its market power in social media, where its position in advertising may give it an advantage in accessing the funds required to invest in replicating features of its rivals, or to buy out competitive threats.

This chapter sets out the ACCC's views regarding the state of competition in social media services, focusing on the social connections that platforms facilitate between friends and family, users with similar interests, and users and public figures, businesses, government organisations and influencers. It is structured as follows:

- **Section 3.1** sets out the scope of the ACCC's competition assessment.
- **Section 3.2** considers how social media platforms compete for users.
- **Section 3.3** considers the barriers to entry and expansion for social media services.
- **Section 3.4** analyses whether Meta has market power for social media services.
- **Section 3.5** considers harms arising from a lack of competition in social media services.
- **Section 3.6** discusses competition for advertisers on social media platforms.

- **Section 3.7** considers targeted measures to promote competition.

3.1. Competition in social media services

The ACCC has considered competition for social media services in Australia primarily from the perspective of competition for consumer users of social media services. The ACCC considers that there are other groups of users for whom social media services may compete differently, including advertisers, influencers and businesses, and has considered how the presence of each of these groups on social media platforms affects the way that consumer users use the platform.

3.1.1. Competition for social media services exists along a continuum

Social media services tend to be highly differentiated from each other. However, there are common themes among social media services, with certain platforms differentiated from other platforms in terms of the connections that they facilitate on their service. This competition analysis focuses on social media platforms that facilitate the following 3 types of social connections:

- Connections between friends and family, using a social graph that maps out users' connections. This tends to involve a two-way connection, where users are mutually connected to each other.
- Connections between users with similar interests, where users may not know each other outside of the platform. This typically involves connecting users based on common interests (such as hobbies, or medical support groups) or common geography (such as suburb or region).
- Connections between users and public figures, businesses, government organisations and influencers. This tends to involve a single direction of connection, for example where a user follows a business, but the business does not follow the user.

This is not a comprehensive list of the types of connections facilitated by social media platforms, however, it reflects the connections facilitated by some of the largest social media platforms in Australia, including those controlled by Meta. Meta facilitates these connections on its Facebook and Instagram platforms and is the most significant supplier of social media services, as set out in chapter 1.

Social media platforms facilitate these types of connections in different ways and can be differentiated in terms of functionality on the platform (that is, the features that are offered on the platform) and by the way that users use social media platforms. Pinterest's submission noted that some platforms tend to be oriented towards linking with family, friends and social acquaintances whereas others may be differentiated by the type of content frequently consumed by users.³⁷¹ Even where there are similar features across platforms, users may use these features differently so that the use of a social media platform is distinguishable from the features that are offered on that platform.

³⁷¹ Pinterest, [Submission to the Report](#), 12 October 2022, p 2.

Differentiation between platforms may also include:

- the extent to which social media platforms preference or prioritise one type of connection over another
- the format of the content that is presented, for example by way of text, image or video (including video duration)
- differentiation as a result of differing groups of users on the platform
- other important characteristics of the connection (for example, professional or social).

This differentiation between social media platforms means that competition for social media services exists along a continuum, where some services are closer substitutes than others. As a result, each social media platform may have a different set of close substitutes than others, depending on the service being offered.

One reason why these platforms are differentiated is because of same-side network effects on the user side. New platforms face challenges overcoming a coordination problem between users, that is, the problem of convincing groups of users who might use the new platform to connect with each other to switch together from an existing platform to the new platform. As such, where same-side network effects are present, entry may be more likely to occur for niche or differentiated platforms that attract different user groups or are tailored to engage users for a specific type of activity. Box 3.1 below sets out a description of network effects and how network effects impact barriers to entry and expansion.

Box 3.1 Network effects and barriers to entry and expansion

Both same-side and cross-side effects can operate on a platform. In general, a same-side network effect is said to operate if an increase in the number of users on one side of a platform affects the value of the service to a given user on that side of the platform. A simple example of a same-side network effect is online private messaging services, such as iMessage, WhatsApp and Signal. If there are only a few users of a private messaging service, that service will be of relatively low value to any given user, and may, therefore, have difficulty attracting new users. Conversely, a network with many users will be of relatively high value to a user and thus, be attractive to new users. As a consequence, a small-scale new entrant may have difficulty attracting new users relative to a large incumbent, creating barriers to entry and expansion.

A cross-side network effect operates if an increase in the number of users on one side of the platform affects the value of the service to a given user on another side of the platform. On a credit card platform, cross-side effects operate in both directions – an increase in the number of consumers with the card increases the value of the card to a merchant and if more merchants accept the card, the card is more valuable to a consumer. This creates a positive feedback loop. Both merchants and consumers, therefore, will tend to find large-scale credit card platforms more attractive than small-scale credit card platforms, which may create a barrier to entry and expansion. For social media platforms, cross-side network effects tend to operate in one direction, that is, advertisers gain value from an increase in the number of users of a platform, but users do not gain significant value from more advertisers on a platform.³⁷²

The ACCC has focussed its assessment of competition for social media services on Meta’s Facebook and Instagram services. This is due to Meta’s focus on the provision of the 3 types of social connection listed above through its Instagram and Facebook platforms, as well as the size of both its user base and advertising business in Australia. Meta describes itself as a platform that facilitates social connections, with Mark Zuckerberg saying that ‘we’re still ultimately a social company focused on helping people connect’.³⁷³

The ACCC has also considered the competitive constraint imposed by the 3 social media platforms that it considers to be the closest alternatives to Meta – that is, TikTok, Snapchat and Twitter. These platforms each, to varying degrees, facilitate the connections outlined above through their features and the way that users use the service.

There are also functions that form part of social media platforms’ apps and websites that do not appear to have the primary function of enabling users to participate in social networking, communication or sharing content, and do not appear to be used by users for these connections. For example, Facebook Marketplace is a feature of the Facebook platform that allows users to buy and sell items and it is unlikely that it facilitates any of the 3 types of social connections described above. Accordingly, these are not “core” social media features, but are considered in the context of the provision of other services by social media platforms. The ACCC has not considered competition for the supply of these other features in this assessment.

³⁷² The ACCC notes that users may gain some value from an increase in the number of advertisers using the platform where it leads to more diverse or relevant advertising. However, once there is a diversity of advertisers on a platform, users are unlikely to gain significant value from more advertisers using a platform.

³⁷³ Meta, [Meta Q2 2022 Earnings Call Transcript](#), 27 July 2022, p 3.

Social media platforms can also be used for passive consumption and entertainment, rather than to access the 3 types of connection listed above. While this has not been a focus of the ACCC's analysis, users that engage with a social media platform for passive consumption or entertainment purposes are likely to have a different range of alternatives available to them beyond social media platforms, such as gaming and streaming apps.

Notwithstanding the use of social media services for passive consumption or for entertainment, users also use social media platforms for specific purposes: to connect with other people they know, to follow local businesses, or to get information from communities of users with similar interests to them. This competition assessment focuses on the use of social media platforms for these specific purposes.

3.1.2. Assessing competition for users between social media services

The ACCC's approach to assessing the level and strength of competition for social media services in Australia considers:

- demand side substitutability between Meta's Facebook and Instagram services with other social media services in Australia
- the barriers to entry and expansion for the provision of social media services to users in Australia
- the extent to which users multi-homing is likely to be a competitive constraint on Meta.

3.2. Competition for users: demand side substitutability between social media services

The ACCC considers that other social media platforms are weak demand side substitutes for Meta's Facebook and Instagram services, although the strength of the constraint differs across different user demographics. In determining that other social media platforms are not close demand side substitutes (and therefore, effective competitive constraints) with the services provided by the largest social media provider in Australia, Meta, the ACCC has considered:

- the functional characteristics of each social media platform
- the main reasons consumers use each social media platform
- the demographics and size of the user base of the various platforms.

Pinterest submits that platforms can be differentiated from each other in terms of emphasis on personal connection, and in terms of the type of content that is on the platform.³⁷⁴ The ACCC further notes that, even where there are similarities in the features offered by platforms, they may still be differentiated by the way that the platform is used or the purpose for which those features exist. For example, Google submits that where YouTube has similar features to those offered by social media services, those are not features that are connected to social networking (or to the purpose of connecting users to

³⁷⁴ Pinterest, [Submission to the Report](#), 12 October 2022, p 2.

each other) and are instead ancillary to YouTube's core function of hosting video content.³⁷⁵ Similarly, even though many platforms offer users personalised feed of content, the content presented can be highly differentiated between platforms. For example, content presented on a user's LinkedIn feed would primarily relate to professional networking compared to a user's Facebook feed which would have a higher proportion of updates from friends and family.

Differences in function, use, and the demographics and size of the user base of each of the platforms limits the extent to which they may be demand-side substitutes for each other, limiting the ability of users to swap from one platform to another.

3.2.1. Facebook's and Instagram's features are differentiated from other platforms

The ACCC considers that Meta's Facebook and Instagram platforms are highly differentiated from other social media platforms, in terms of the features that are offered on each of the platforms. While there are overlapping features between Facebook and Instagram and other social media platforms, together, Facebook and Instagram offer a suite of features that are not replicated by any other platform.

In assessing and comparing the functional characteristics of each of the social media platforms, the ACCC has focussed on the features of each platform that facilitate the 3 types of connections outlined above (connections to friends and family, to users with similar interests, and to public figures, businesses, and other organisations). Comparing the features of other social media services to the features of Meta's services can indicate the degree to which other social media platforms are demand-side substitutes. As such, the more that a social media platform is differentiated from Meta's Facebook and Instagram services in terms of the features offered, the less likely it may be that those platforms are close, effective alternatives to Facebook and Instagram.

While analysis of features alone is not sufficient to determine the degree of substitutability between platforms, the ACCC has assessed these features in conjunction with other information about the main reasons consumers use each social media platform and the number of users and their demographics on each platform (see below).

Functionality of Meta's Facebook and Instagram platforms

Meta, through its Instagram and Facebook platforms, provides a range of features that support users connecting with friends and family, connecting with users based on similar interests or geography, and connecting with or following public figures, significant users, government organisations and businesses.

From early on in Facebook's history, Facebook differentiated itself to users through its use of the 'social graph', which is a representation of the information held by Facebook about users.³⁷⁶ The social graph is also a way of representing the connections between users as well as users' relationships to pieces of content and information. The social graph was used by Facebook to encourage users to recreate their existing networks of friends and family online.³⁷⁷ This emphasis on replicating existing social networks online

³⁷⁵ Google, [Submission to the Report](#), 30 November 2022, p 1.

³⁷⁶ S Singh, '[Rediscovering the social graph](#)', *Medium*, 30 September 2021, accessed 2 March 2023; D Farber, '[Facebook's Zuckerberg uncorks the social graph](#)', *ZDNET*, 24 May 2007, accessed 2 March 2023.

³⁷⁷ UK Competition and Markets Authority, [Online platforms and digital advertising market study, Appendix J: Facebook Platform and API access](#), p J5.

set Facebook apart at the time, impacting the features that were offered on Facebook's platform. It continues to be a distinguishing feature of Facebook compared to other platforms.

Facebook has features that allows users to connect with friends and family by displaying posts (text, image and video) and stories from people,³⁷⁸ pages³⁷⁹ and groups in a news feed that allows users to react, comment and share posts when they open Facebook on the app or a web browser.³⁸⁰ Users can also post on pages (either public pages, or personal pages of users that they are mutually connected with) to send direct, public messages. It allows users to privately message within the platform using the private messaging tool Messenger (which is also available as a standalone app). Content is typically served to users based on content that their connections have posted or interacted with. Users can create albums that are stored on their personal page which allows them and other users to access them at any point in the future.

Instagram has features that allows users to connect with friends and family by displaying posts (image and video) from friends and family in a news feed that allows users to react and comment on posts. It also displays Stories, which are typically images or videos from friends and family that allows users to react, comment and share to their own Stories. Users can message each other using Instagram's Messages function. Content is typically served to users based on content that their connections have posted or interacted with. User posts and Stories can also be saved or stored on each user's personal page.

Facebook's Groups feature allows users to connect with groups of other (typically unknown) users based on shared interests, hobbies or geographies. This can be an important way of sharing information in emergencies such as bushfires, or for connecting with other users experiencing the same medical conditions. Facebook Groups can also be used as a community noticeboard, allowing users to connect and businesses to post directly to users in a particular geographic location, and for users to connect to share information about issues of local concern.

³⁷⁸ 'People' includes Facebook 'friends' – that is, users who are both connected with each other, typically friends and family (two-directional following). Users can connect to friends and family by sending a friend request, which typically requires the other user to approve before the posts of each user will appear in each other's feeds.

³⁷⁹ 'Pages' includes public pages of businesses, significant figures, news organisations, and does not require the owner of a page to approve before their posts appear in a user's feed after a user decides to follow them (one-directional following).

³⁸⁰ Facebook Help Centre, [How feed works](#), accessed 6 January 2023.

Figure 3.1: Local buy, swap and sell groups³⁸¹

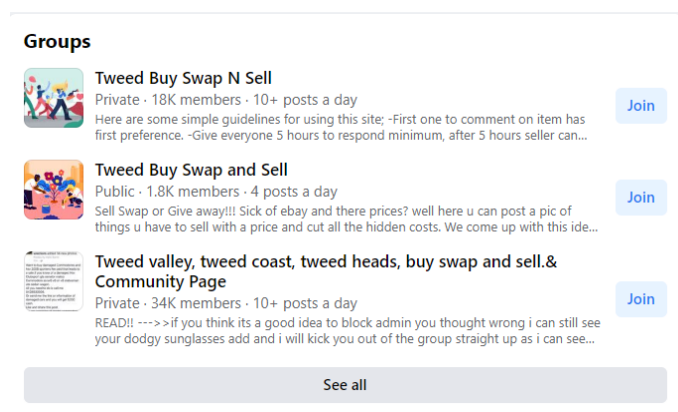
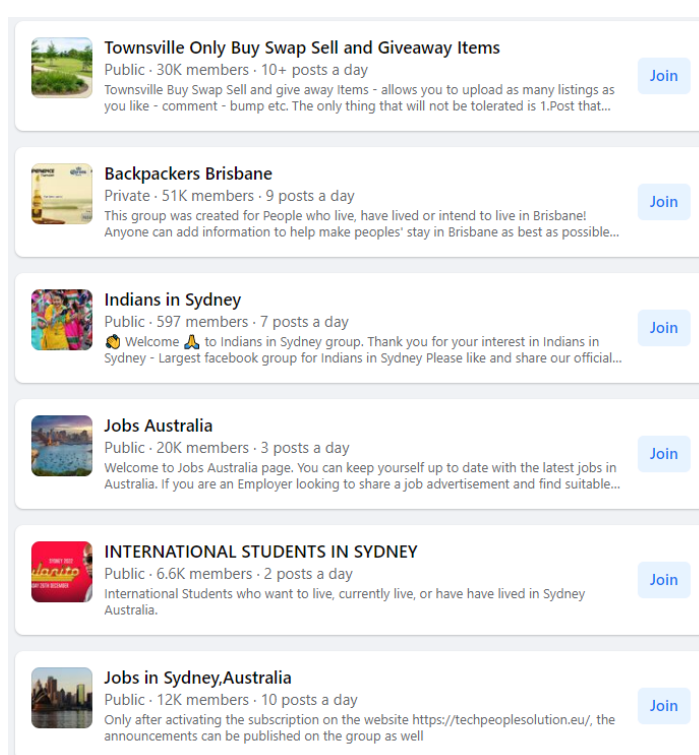


Figure 3.2: Local and interest-based community discussion groups³⁸²



Instagram does not have an equivalent service to Facebook's groups that facilitates connecting users of similar interests. Users can search for content using hashtags, which allows them to view public posts that have been tagged with particular hashtags. However, while it can connect an individual user to a piece of content (and potentially the user that has posted that content), it does not connect groups of users to each other on the basis of similar interests.

Facebook provides features that allow users to connect with organisations (such as local cafes, news media businesses, etc), public figures and government organisations. The pages of businesses, government organisations, and public figures are differentiated from regular user pages. Users do not need these pages to follow them back in order to see the content of these pages, and these pages are typically public (so users can access

³⁸¹ Examples of local Facebook Groups for Tweed area (accessed January 2023).

³⁸² Examples of local and interest-based community discussion groups (accessed January 2023).

information without needing to follow them). The posts from these entities appears in a user's newsfeed alongside posts from friends and family, and can be re-shared by users onto their own page.

Business pages on Facebook can include key information such as business location, opening hours, and website, as set out in chapter 1. On business pages, users can also engage directly with businesses (for example, by posting on their page or leaving a review), with these pages often used for customer service issues.

Figure 3.3: Use of business page for customer complaints³⁸³



Facebook's features also provide an important way for users to communicate with each other and to access critical information during times of natural disaster or crisis. The ACCC has assessed usage patterns during times of crisis, below in box 3.2.

³⁸³ Example of a consumer using a business page to contact a business regarding a complaint (January 2023).

Box 3.2: Facebook usage and news events³⁸⁴

- The ACCC conducted a case study to determine whether newsworthy events increased usage of Facebook or Instagram in Australia.
- The ACCC analysed Australian user engagement data from Sensor Tower relating to recent newsworthy events including 3 dates during the COVID-19 pandemic³⁸⁵, and 2 dates related to the 2019–20 ‘black summer’ Australian east coast bushfire season.³⁸⁶ For some dates tested, the ACCC found that there was a marked increase in daily active user numbers on Facebook but not Instagram.
- This may indicate that use of Facebook is more driven by current events than Instagram, and that people may be seeking to connect with their social network around these events, as well as obtaining information from government agencies, media, and from Facebook Groups.

Instagram enables users to follow business and government organisations, public figures and influencers. The posts from these entities appears in a user’s newsfeed and in their Stories feed on Instagram, and can be reshared by users or engaged with by way of reactions and comments. Businesses can use their page to update users on business information, sales, and events that they are involved in, however these posts are not differentiated from general posts made by users.

While Facebook has different pages that are designed for business users, Instagram does not have significantly differentiated pages for business as opposed to individual users. However it provides tools to attract business users,³⁸⁷ including tools to:

- track account performance
- share contact information
- sell products directly on Instagram through Shop.³⁸⁸

³⁸⁴ This analysis is based on a comparison in Sensor Tower data on daily active user numbers on Facebook across a 7-day period taking in each specific newsworthy event date (or ‘reference date’). To qualify as a material change, it was decided that there would need to be an observable increase or decrease (from the reference date) which was statistically greater than the typical variation within the daily active user numbers across a 7-day period at the 5% significance level (there’s less than a 5% probability of this happening by chance). We then calculated the expected false positives in our test based around multiplying the number of dates tested (14) tested by 5% to get 0.7. We identified 3 events with statistically significant variations, which exceeded this false positive rate.

³⁸⁵ The events were the announcement of initial border restrictions by state and territory governments in response to the COVID-19 outbreak (19 March 2020), the 100th day of lockdown in Victoria (16 October 2020), and a date when some lighter restrictions were in force in Victoria and New South Wales (13 March 2021).

³⁸⁶ Those dates were 8 November 2019, when 17 bushfires were burning in New South Wales at ‘emergency warning’ level, and 2 January 2020, when a ‘state of disaster’ was declared by the Premier of Victoria, and a ‘state of emergency’ was declared by the Premier of New South Wales.

³⁸⁷ Instagram, [Get your business started on Instagram](#), accessed 12 January 2023.

³⁸⁸ Instagram has announced that the Shop tab will be removed from its main navigation bar in February 2023, but that users will still be able shop for products on Feed, Stories, Reels and ads. See D Tolentino, [Instagram will remove the Shop tab from navigation in February](#), *NBC News*, 10 January 2023, accessed 12 January 2023.

TikTok's features are differentiated from Facebook and Instagram

TikTok characterises itself as an entertainment platform³⁸⁹ which provides services that extends beyond social media services. It considers YouTube, Reels, Netflix, Twitch and others as its competitors.³⁹⁰

TikTok's growth has been fuelled by providing features that connect users to content from users that they are not necessarily connected with.³⁹¹ TikTok's users predominantly access content on TikTok through the 'For You' page feed, which shows users content selected through its 'discovery engine'-based algorithm. This promotes content that users are likely to be interested in.³⁹² While users can elect to watch content from users that they are mutually connected with (where both users follow the other), TikTok has a limited use of algorithms that promote content to users based on their social network (such as through use of a social graph).

TikTok does not provide services that connects groups of users with common interests, such as Facebook's Groups feature. Users can search for hashtags to access TikToks about specific issues or content, similar to how users can access content on particular topics on Instagram. However, this is differentiated from Facebook's Groups, which allow users to connect on a (typically closed or private) forum to discuss issues of particular interest, as hashtags do not link groups of users to each other.

Users on TikTok can use the platform to follow significant or public figures, such as influencers. However, TikTok does not offer the same functions for many businesses that Meta's platforms do, with its tools for businesses oriented around its advertising tools, rather than as a way for a business to communicate and connect directly with users.

Snapchat's features are differentiated from Facebook and Instagram

In terms of features, Snapchat most closely overlaps with Facebook and Instagram for connecting users with friends and family, providing features that facilitate sharing of content (primarily images and photos) between users that are known to each other. It also provides messaging and a variety of other services that support users connecting with each other.

However, Snapchat does not have any similar functionality to Facebook's Groups, where users can connect based on similar or shared interests. Snapchat also considers its primary use case to be a 'one-to-one direct communication service' rather than a medium by which users connect with public figures, government organisations and businesses.

Twitter's features are differentiated from Facebook and Instagram

Twitter submits that its aim 'is to serve the public conversation'.³⁹³ Users on Twitter primarily communicate by way of tweets, which are short, text-based messages that may also be attached to image or video content. With its format as a micro-blogging site,³⁹⁴ its

³⁸⁹ TikTok Australia, [Submission to the Report](#), 12 October 2022, p 1.

³⁹⁰ TikTok Australia, [Submission to the Report](#), 12 October 2022, p 2.

³⁹¹ TikTok Australia, [Submission to the Report](#), 12 October 2022, p 2.

³⁹² TikTok Australia, [Submission to the Report](#), 12 October 2022, p 2.

³⁹³ Twitter, [Submission to the Report](#), 12 October 2022, p 3.

³⁹⁴ The ACCC notes that Elon Musk has announced his intention to increase the limit on Tweets from 280 characters to 4,000 (E Musk, [Tweet](#), *Twitter*, 11 December 2022, accessed 17 March 2023), prompting commentary that this will change the format of Twitter away from being a micro-blogging site. See also A Yeo, [Elon Musk now says Twitter's 280 character limit will increase to 4000](#), *Mashable*, 11 December 2022, accessed on 27 February 2023.

functionality focuses on allowing users to connect with or follow public figures, businesses and government organisations. It has limited functionality for connecting with friends and family compared to other platforms, and a focus on ‘broadcasting’ messages. Outside of direct messaging, all communication on Twitter occurs in a public space where all users can see what other users have posted. This has historically encouraged the perception of Twitter as being akin to a ‘town square’, or a service that focuses on ‘the public conversation’.³⁹⁵

As at March 2023, the Twitter homepage features a feed of current events under the heading ‘What’s happening’ and suggests significant users to follow under the heading ‘Who to follow’. The prominence given to these sections in the Twitter homepage encourages users to use Twitter to follow events, news, or public figures, rather than to connect with family and friends that they may know. Twitter does not have an equivalent function to Facebook’s Groups that connects groups of users with shared interests or hobbies (although similarly to TikTok and Instagram, it allows users to search for content by using hashtags).

Other platforms have differentiated features to Facebook and Instagram

The ACCC has also considered the extent to which services such as YouTube, Pinterest, Reddit and BeReal compete to provide similar features to Meta’s services.

Submissions to the Issues Paper identified YouTube as a potential competitor to Meta for providing social media services to users.³⁹⁶ Google has provided a submission that sets out how it considers YouTube is differentiated from Meta’s Facebook and Instagram services both in terms of function and use. In terms of the functionality of YouTube, Google submits that its ‘primary function is to enable users to access and consume video content produced by creators’.³⁹⁷

YouTube lacks many features that are designed to facilitate social interaction between users, such as the ability for users to join social groups (for example, by ‘adding friends’) or the inclusion of the ability to personally message other users (as distinct from Facebook, Snapchat, Twitter and TikTok).³⁹⁸ While YouTube’s Community Tab has some surface level similarities with features on Facebook such as groups, only a channel creator can create a post in the tab, which means that other YouTube users are limited to liking or responding to these posts rather than generating unique posts on the tab.³⁹⁹ YouTube also has a strong focus on accessing users through connected TVs, which is significantly differentiated from the ways that users access typical social media platforms by web browser or app.⁴⁰⁰

Pinterest has some features that are similar to the services provided on Meta’s platforms, such as allowing users to follow and message other users. However, its functionality is significantly differentiated from Meta’s platforms. Rather than displaying posts from other users, Pinterest shows visual recommendations called Pins. Pinterest selects Pins for users based on their interests, using a variety of sources to determine what to

³⁹⁵ Twitter, [Global Impact Report 2020](#), p 2.

³⁹⁶ TikTok, [Submission to the Report](#), 12 October 2022, p 2; Meta, [Submission to the Report](#), 12 October 2022, pp 2–3; AiMCO [Submission to the Report](#), 12 October 2022, p 2.

³⁹⁷ Google, [Submission to the Report](#), 30 November 2022, p 2.

³⁹⁸ Google, [Submission to the Report](#), 30 November 2022, p 7.

³⁹⁹ Google, [Submission to the Report](#), 30 November 2022, p 9.

⁴⁰⁰ Alphabet, [Alphabet Q2 2021 Earnings Call](#), 27 July 2021, p 11.

recommend to a user, including the user's past search and browsing behaviour on Pinterest and the interests that they select when signing up for the service. Users can then save these Pins into collections called boards.⁴⁰¹ Pinterest's services do not focus on connecting users to friends and family, businesses, or significant features. It can help connect users with similar interests, however, these interests would have to be predominantly visual (for example, images of a kitchen renovation).

Reddit's provision of forums for the discussion of particular topics allows users with similar interests to connect and discuss issues, which may make its services a closer substitute to Facebook Groups than other platforms. However, it is significantly differentiated from Meta's Facebook and Instagram services in that it displays forums and posts that a user may be interested in, rather than connections to friends and family or significant figures. Communicating via Reddit is also a public form of communication, with users connecting over particular topics or interests. Reddit lacks features that would enable users to connect and communicate privately or personally with friends and family. It also does not use a social graph to organise content or to connect users with other users or content.

BeReal provides limited social media services, connecting users to friends and family and allowing them to see posts from their connections in a simple feed. As set out in chapter 1, it only allows users to share photos once a day, taken after being notified at a randomly selected time. BeReal does not provide functionality that allows users to connect based on shared interests, or to connect with businesses, public figures, government organisations or influencers. At this stage, BeReal only provides a narrow subset of features and functionality that is provided by Meta, and therefore is a weak substitute for Meta's services.

YouTube, Pinterest, Reddit and BeReal are all significantly differentiated from Meta in terms of their functionality and are unlikely to be a close substitute for the services provided by Meta through Facebook and Instagram.

Meta also submits that private messaging services, such as iMessage, compete with Facebook and Instagram.⁴⁰² The ACCC does not consider that private messaging services are a close demand side substitute for the services provided on Facebook and Instagram. While many social media services offer a private messaging tool that could, in some circumstances, be used as an alternative to standalone private messaging, standalone private messaging services do not offer the same type and range of features as Facebook and Instagram. For instance, online private messaging services do not 'serve' content to users, and are private services that do not allow users to find or communicate in a public manner. The ACCC notes that in addition to Facebook and Instagram, Meta owns some of the largest private messaging services by number of users (WhatsApp and Messenger).

Conclusions on differentiation between Meta and other social media services

Facebook's features, and the types of social connections that they facilitate, are differentiated from Twitter, TikTok and Snapchat. Facebook's features are differentiated from other services by its focus on facilitating interactions between family and friends, and the functionality that it provides through Facebook Groups. This degree of differentiation is likely to limit the degree to which these services are effective

⁴⁰¹ Pinterest, [Submission to the Report](#), 12 October 2022, p 1.

⁴⁰² Meta, [Submission to the Report](#), 12 October 2022, p 14.

alternatives to Facebook. Despite some overlapping features, the use of Facebook (in terms of user numbers and amount of time spent on the service) has not changed significantly since the entry of TikTok. FreeTV submitted that ‘this is likely to reflect the nature of the social media service provided by TikTok ... It is not a substitute for Facebook, which offers a broader range of social media services’.⁴⁰³

Based on overlapping functionality, TikTok and Snapchat could be a close alternative to Instagram in some circumstances. As noted in the overview section, Reels was introduced on Instagram following the entry and expansion of TikTok. Instagram also introduced its Stories feature in response to Snapchat’s entry and expansion, and the feature largely duplicates Snapchat’s stories feature. However, Instagram’s home page predominantly features posts and stories (images and videos) from accounts that a user follows (with the exception of paid content, and some posts from suggested accounts), rather than algorithmically promoted content based on a user’s interests and likes, which is how users typically view content on TikTok. This is a key area of differentiation between TikTok and Instagram. A key difference between Snapchat and Instagram is that Snapchat does not focus on connecting users with public figures and other organisations.

3.2.2. Users use Facebook and Instagram differently to other platforms

The ACCC has considered information about how and why users use these platforms to determine whether, when considering both function and use, other platforms are a demand side substitute for Facebook and Instagram.

The reasons why users use Meta’s Facebook and Instagram services differ from the way that users use other social media platforms. This limits the demand side substitutability between social media platform, even where they may have similar or overlapping features available on the platform.

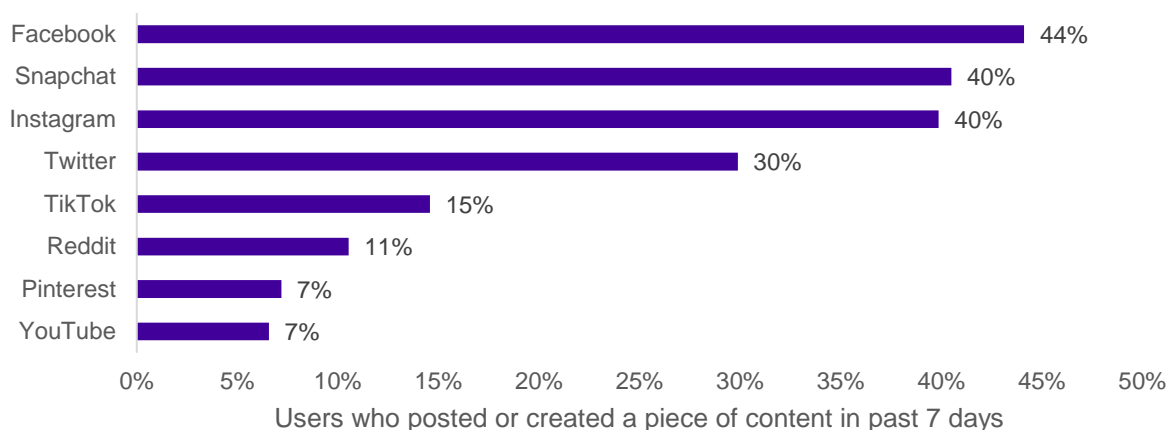
The Australian Communications and Media Authority’s (ACMA) 2022 report into how Australians communicate indicates there are key distinctions between the way that users use social media platforms even where there is similar functionality available to them.⁴⁰⁴

Each of the key social media platforms (Facebook, Instagram, TikTok, Snapchat and Twitter) have the functionality to allow users to post and engage with content, however, there are key differences in how users actually use the platforms. A higher proportion of Facebook users use the platform to post content than other platforms, with Instagram second and Snapchat third. By contrast, only 15% of TikTok users had posted content within the week of the survey. This is outlined in figure 3.4 below.

⁴⁰³ FreeTV, [Submission to the Report](#), 12 October 2022, p 4.

⁴⁰⁴ ACMA, [Communications and media in Australia: How we communicate](#), December 2022, section 5.

Figure 3.4: Use of service to create or post a piece of content in the past 7 days⁴⁰⁵



Platforms that have a greater focus on facilitating connections with friends and family tend to have users posting more frequently than other platforms, as this is the primary means by which there is two-way communication or connection between users. As a consequence, the ACCC considers that these survey results reflect a higher propensity for users to use Facebook, Instagram and Snapchat to actively share content with friends and family, compared to a more passive pattern of usage on TikTok. This is also the case with YouTube, Pinterest and Reddit, where users are less likely to actively post content than other platforms.

This is consistent with surveys conducted overseas, which show diverging use cases among users of social media platforms, depending on whether a platform is more oriented towards facilitating communication between a user's social network or sharing and hosting content. For example, for keeping in touch with friends and family, one survey found that 79% of respondents said Facebook was very or fairly important to keep in touch with friends and family, compared with 59% on Instagram and 65% on Snapchat. By contrast, only 9% of respondents said that YouTube was fairly important for keeping in touch with friends and family, with 56% saying it was not important at all for this purpose.⁴⁰⁶

Users also use social media platforms to access and share information. For example, the ABC submitted that in recent natural disasters, engagement with the ABC's news and emergency coverage on social media platforms was high.⁴⁰⁷ Pinterest submits that this can be a point of differentiation between platforms, with platforms differentiated by the type of content frequently consumed by users, such as news and current events, celebrity/influencer posts, or entertainment.⁴⁰⁸

Facebook Groups is an important way that users use Facebook to connect with users over common or shared interests, in either an open or closed environment. Groups may be completely open (where any user can join the group) or have requirements for a user to

⁴⁰⁵ This chart is based on data collected by the ACMA as part of its 'Communications and media in Australia: How we communicate' survey conducted in July 2022. The sample size for the consumer survey was 3580 respondents. Data is weighted to represent the Australian population (based on telephone status, state/territory, age, gender, internet usage and education). The chart collates responses to a survey question asking respondents who had previously reported that they used particular apps or websites, whether they had used those apps or websites in the past 7 days to create or post a piece of content. See Annual Consumer Survey, June 2022, ACMA, unpublished.

⁴⁰⁶ Ofcom, '[Online Nation](#) 2019 survey', p 132.

⁴⁰⁷ ABC, '[Submission to the Report](#)', 12 October 2022, p 1.

⁴⁰⁸ Pinterest, '[Submission to the Report](#)', 12 October 2022, p 2.

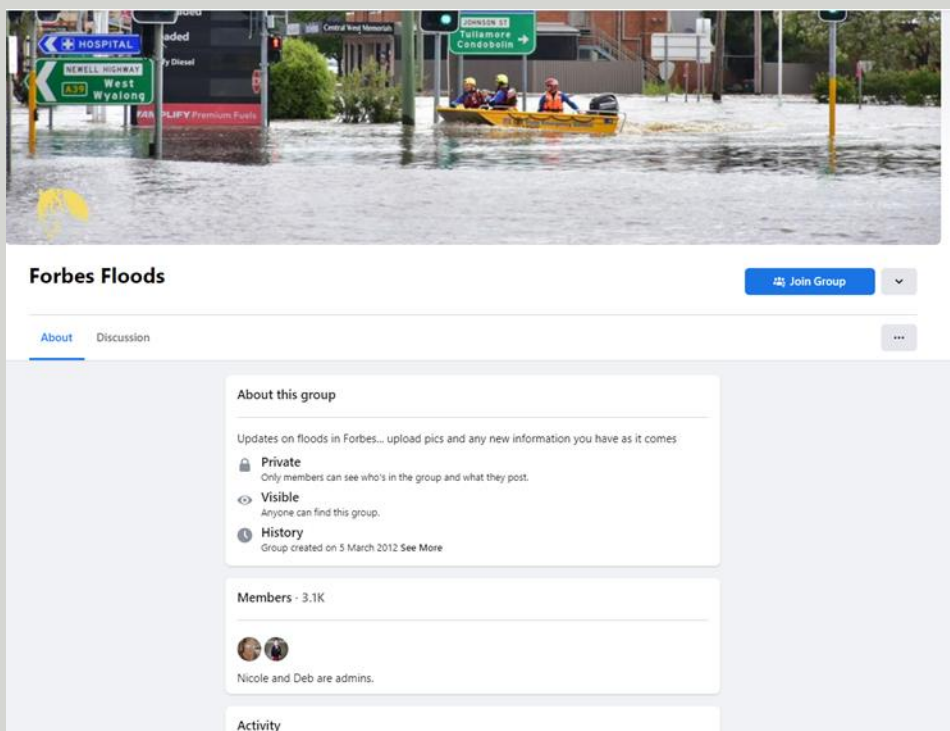
be approved before they can join the group. Facebook Groups can be used to share information in cases of emergency, for example, the ABC observed that emergency coverage tended to be shared and republished in other forums such as local community Facebook groups.⁴⁰⁹ Groups can also be used to support users dealing with a common medical illness, or can act like a digital community board (see box 3.3 below).

Box 3.3: Facebook Groups and Pages as sources of information during natural disasters

During flooding in New South Wales 2022 and the Northern Territory in 2023, Facebook groups were used as a way for people in the community to seek and share information and connect with others in their community. Facebook Pages, such as those operated by the State Emergency Service published official information at a state-level and at a local unit level.

The group 'Forbes Floods' (below) was created to share information and pictures of the flooding in the Forbes region. In the Northern Territory, local group 'Fitzroy Crossing Notice Board' was used.

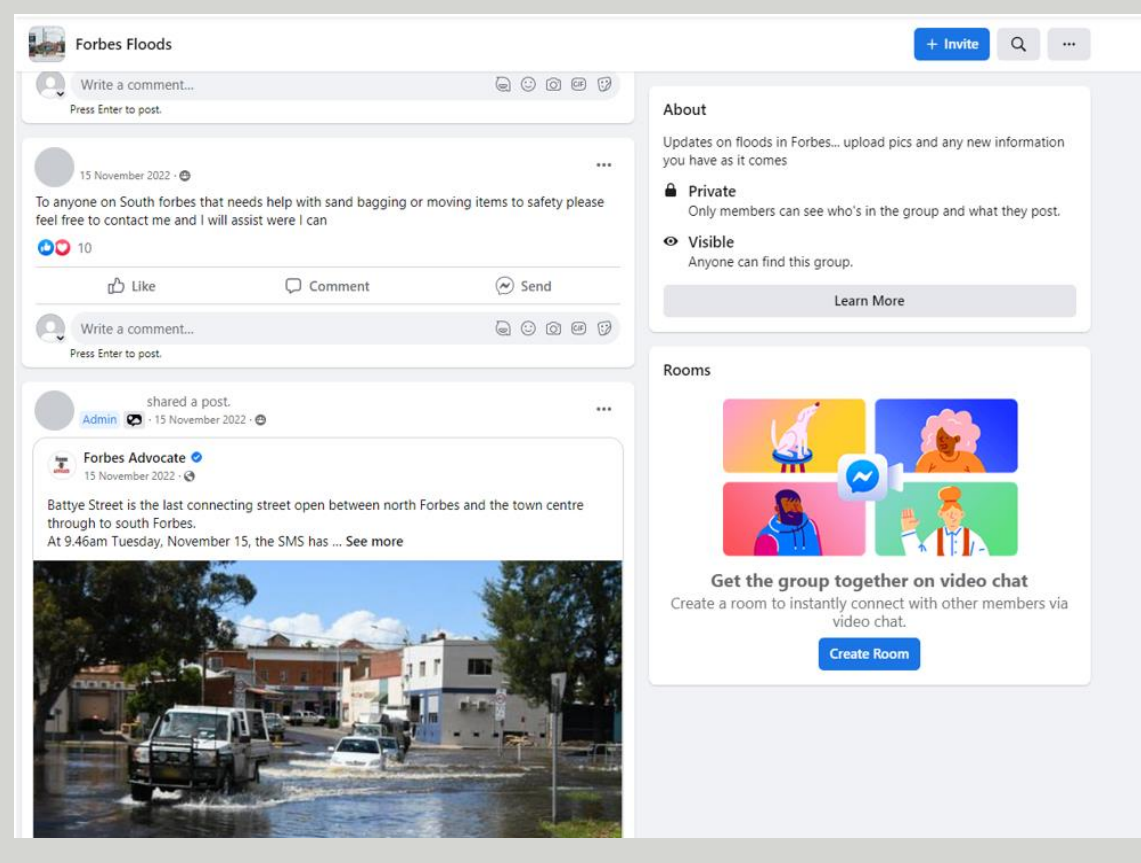
Figure 3.5: Screenshot of 'Forbes Floods' Facebook page⁴¹⁰



⁴⁰⁹ Pinterest, [Submission to the Report](#), 12 October 2022, p 2.

⁴¹⁰ Forbes Floods Group Facebook page (accessed January 2023).

Figure 3.6: Screenshot of posts on the 'Forbes Floods' Facebook page⁴¹¹



Pinterest submitted that each social media services has a 'use case that may overlap with that of other platforms, but which represents distinct value for its users'.⁴¹² In particular, the use of Facebook tends 'to be oriented towards family, friends and social acquaintances whereas the networks people build on LinkedIn are very much focused on professional contacts'.⁴¹³

The content of a user's newsfeed may also be indicative of the main reasons why users use a social media platform. The chart below shows the source of Facebook Feed content of users in the US, which is consistent with the observations discussed above.⁴¹⁴ A high proportion of information on Facebook's Feed in the US relates to friends and groups, with only a relatively small proportion of 'unconnected' content (that is, from a user or entity not followed by the user). This indicates that a key reason to use Facebook is likely to be related to social connection rather than content unrelated to social connection, which would be expected on TikTok.

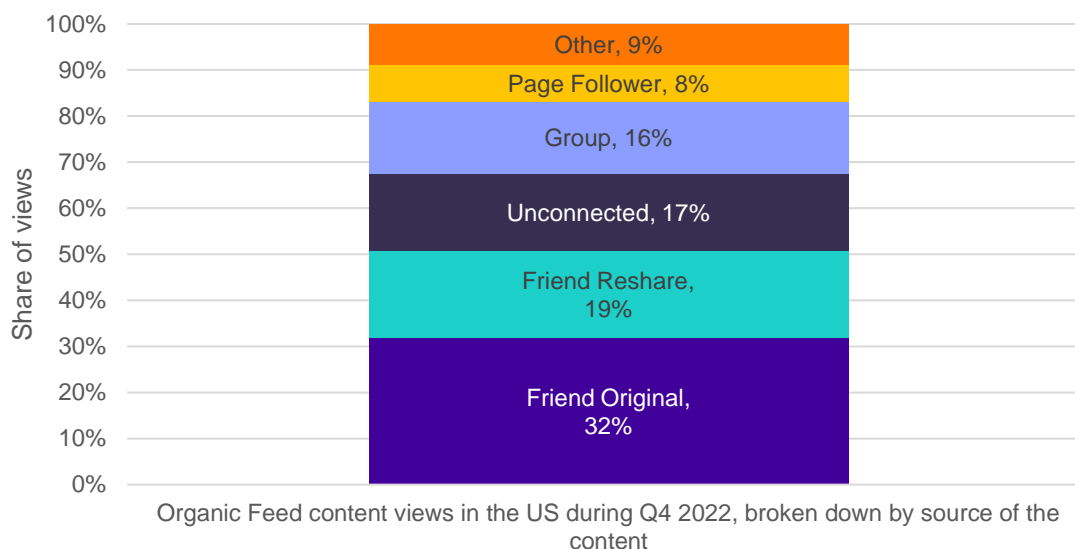
⁴¹¹ Examples of posts on Forbes Floods Group Facebook page (January 2023).

⁴¹² Pinterest, [Submission to the Report](#), 12 October 2022, p 2.

⁴¹³ Pinterest, [Submission to the Report](#), 12 October 2022, p 2.

⁴¹⁴ The ACCC notes that there are no similar public figures for the Feed content of Australian users, however the ACCC anticipates that it would be unlikely to differ significantly from newsfeed content in the US.

Figure 3.7: Source of Facebook Feed views in the United States⁴¹⁵



The ACCC considers that the different ways that users use Facebook and Instagram compared to the next largest platforms (TikTok and YouTube) is indicative that they are unlikely to be close substitutes for the services provided by Meta.

This is consistent with the way that Meta differentiates itself publicly from other platforms. Meta emphasised its importance in facilitating social connections between users in a 2022 earnings call, where Mark Zuckerberg said:

I want to be clear that we're still ultimately a social company focused on helping people connect. One social media trend that we're seeing is that instead of people just interacting in comments in their feeds, most people find interesting content in their feeds and then they message that content to friends and interact there.⁴¹⁶

In the same call, Mark Zuckerberg also responds to a question about how Meta's discovery engine differentiates Meta's platforms from other platforms by saying that:

...social content from the people you know is going to continue being very important. And obviously, following people is an important signal... so the social parts of what we do will always remain. I think that, that will be a very kind of differentiated and important part of what we're doing.⁴¹⁷

The ACCC also considers that other platforms (outside of TikTok, Snapchat and Twitter) are unlikely to be a constraint to Meta. For example, LinkedIn is focussed on developing professional connections, rather than social connections.⁴¹⁸ Google submits that 'a user comes to YouTube primarily to find and consume video content',⁴¹⁹ whereas users of Facebook are likely to use Facebook to 'keep in touch with friends, organise or join events, see what friends do, or write private messages'.⁴²⁰ By contrast, a 2021 survey of users

⁴¹⁵ Meta, [Widely Viewed Content Report: What People See on Facebook](#), accessed 23 March 2023.

⁴¹⁶ Meta, [Meta Q2 2022 Earnings Call Transcript](#), 27 July 2022, p 3.

⁴¹⁷ Meta, [Meta Q2 2022 Earnings Call Transcript](#), 27 July 2022, pp 12–13.

⁴¹⁸ Pinterest, [Submission to the Report](#), 12 October 2022, p 2; LinkedIn, [About LinkedIn](#), accessed 2 March 2023.

⁴¹⁹ Google, [Submission to the Report](#), 30 November 2022, p 2.

⁴²⁰ Google, [Submission to the Report](#), 30 November 2022, p 5.

‘reported using YouTube to “gather information and knowledge”, and 93% to “learn how to fix practical problems”’.⁴²¹

Finally, Pinterest submits that users of Pinterest are ‘fundamentally...trying to get something done – plan an event, buy a product, take a trip – so we surface personally relevant and visually rich possibilities for consideration and eventual action’.⁴²²

Accordingly, this information indicates that these platforms are less likely to a strong competitive constraint on Meta for the provision of social media services.

3.2.3. The number of users and the demographics of the user base of social media platforms

Users are more likely to join a social media platform where their social network, or a material proportion of their social network, is present and active. As such, the size of a social media platform’s user base can make platforms more or less appealing to new users.

Further, while a user’s social network may span multiple age groups, there are also likely to be significant groups of users of a similar age or demographic who wish to connect to each other either because they are friends or have similar interests related to their age group. We have observed some differences in how different age demographics use social media platforms, which suggests that the degree to which different platforms may be alternatives may vary by age group.

Differences in the size of the user base

Given that many users use social media platforms to connect with friends, family and people with similar interests, a platform is likely to be more valuable to a given user if those connections are also actively using that platform. In general, as set out in box 3.1, the larger a platform’s existing and active user base, the more likely it is that any individual user will be able to find other people who they want to connect with on that platform.

Facebook and Instagram are the largest of the social media platforms that focus on facilitating connections between a user and their family and friends, users with similar interests, and businesses, public figures, and influencers. As set out in chapter 1, Facebook has 22 million monthly active users in Australia, and Instagram has 10 million monthly active users in Australia. Snapchat, Twitter and TikTok are significantly smaller. In addition, Facebook and Instagram have a significant scale globally, meaning that Australian users are also more likely to be able to find and connect with friends and family who are living overseas.

As a result, the size of the active user base on Facebook and Instagram, both locally and globally, enables these platforms to offer Australian users a service for connecting and keeping in touch with family, friends and users with similar interests that is unmatched by alternative social media platforms.

⁴²¹ Google, [Submission to the Report](#), 30 November 2022, p 6.

⁴²² Pinterest, [Submission to the Report](#), 12 October 2022, p 2.

How do different age demographics use social media platforms?

As set out in chapter 1 (see figure 1.27), younger users (in particular, those aged under 25) are more likely to use TikTok, Instagram and Snapchat than other age demographics. As such, if users want to find their friends or users with a similar interest in the same age group, younger users may have more alternatives for doing so than older users.

However, Facebook still retains the highest number of monthly active users in Australia of any of the key social media platforms overall, regardless of age. Similarly, while Instagram has fewer monthly active users than TikTok for users aged under 25, it has a much larger audience than TikTok for users aged 25 and over.⁴²³

Since 2020, usage by age group has changed across some of the key social media platforms, which corresponds to the period in which TikTok has achieved significant growth in Australia. Despite Facebook still having the highest number of users in Australia aged under 25,⁴²⁴ information available to the ACCC indicates that the number of daily active users on Facebook aged under 25 has declined slightly since 2020. The number of daily active users aged 25–34 has remained relatively constant, and there have been increases in the number of daily active users in every age group considered above 35.⁴²⁵ However, this does not necessarily indicate that users switched from Facebook to TikTok as, for example, users may be switching between Facebook and Instagram.

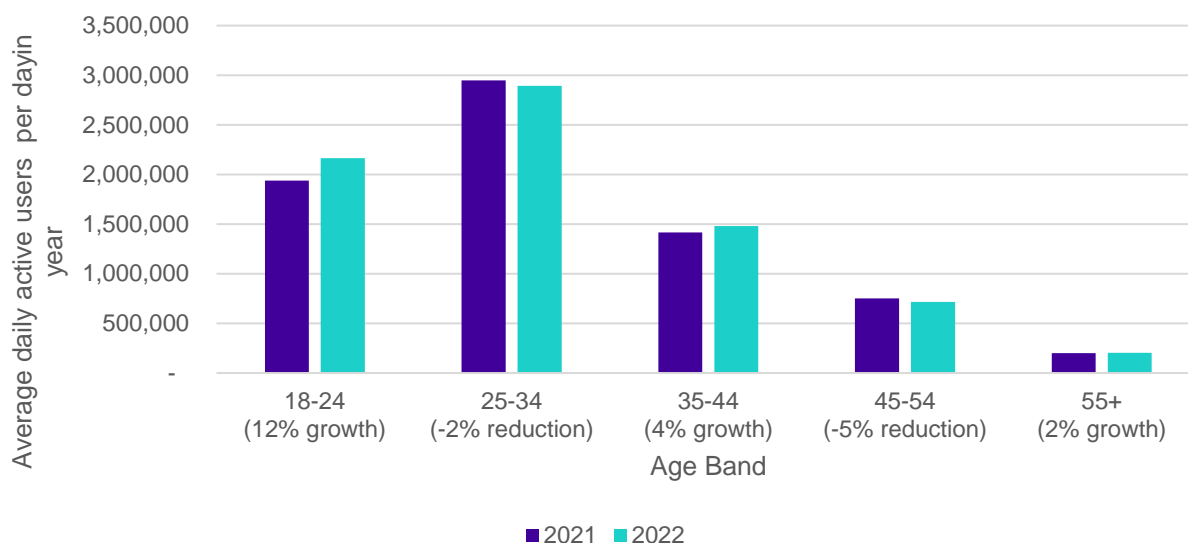
This pattern of social media use by younger users has not occurred on Instagram. Since the end of 2021, Instagram has experienced significant growth in users in the 18–24 age group, has grown in the 35–44 and 55+ age groups, has had a slight decline for the 25–34 age group, and had a small decline in the 45–54 age group. Instagram’s daily active user numbers, and its growth in the 18–24 age group, indicates its competitive strength in growing and retaining its user base. This is despite, as noted above, the overlapping features between Instagram and TikTok.

⁴²³ Source: Sensor Tower data. The ACCC notes that this does not include data on users aged under 18.

⁴²⁴ Source: Sensor Tower data. The ACCC notes that this does not include data on users aged under 18.

⁴²⁵ Based on ACCC analysis of Facebook internal data. The data used in this analysis is for the period April 2020 – July 2022. The age groups considered by the ACCC are 17-24, 25-34, 35-44, 45-54, 55-64 and 65+. The ACCC notes that the age information in this data for Facebook and Instagram reflects age as self-reported birthdates by users at a point in time (for example, at the time of registration). For some users, this information may be inaccurately reported. This data does not reflect the basis on which Meta records or reports this information to meet disclosure obligations or other legal requirements and Meta does not verify this self-reported information in the ordinary course of business. As such, the ACCC considers that these are estimates only.

Figure 3.8: Daily active users of Instagram 2021 to 2022 by age band⁴²⁶



The ACCC has also observed:

- Of those surveyed by the ACMA, fewer than 30% of users over 25 years of age have used Snapchat, Twitter or TikTok for personal purposes in the past 6 months.⁴²⁷
- According to Sensor Tower data, in the third quarter of 2022, the number of monthly active users aged over 25 for each of Snapchat, Twitter and TikTok was less than 31% of Facebook’s user numbers in this age group.⁴²⁸
- The usage of Snapchat, Twitter and TikTok tends to decrease as users get older.⁴²⁹

To the extent that other social media platforms are effective substitutes to Facebook or Instagram, this data suggests that any competitive constraint may vary by age group. In particular:

- users over the age of 35 are much less likely to use TikTok and Snapchat than they are to use Facebook and Instagram, suggesting that these are not effective alternatives for the majority of Meta’s users in this age group
- users under the age of 25 are more likely to use TikTok and Snapchat, suggesting that these *could* be alternatives for the majority of Meta’s users in this age group.

However, as noted above, while there are overlapping features between Instagram and TikTok, the features and social connections facilitated by TikTok are differentiated to those of Facebook and Instagram. As such, while there is greater usage of TikTok by younger age groups and it may be used as an alternative to Instagram in certain circumstances, it is unlikely to be a good substitute for this age group to Facebook and Instagram.

⁴²⁶ This chart shows the change in Instagram daily active user numbers between 2021 and 2022 based on Sensor Tower data. This uses the daily active user numbers for iOS and Android. Sensor Tower does not have daily active users by demographic, but does provide a percentile split for users based on age bands (i.e., “25% of Australian Instagram users on iOS are 18-25” as a hypothetical example). This chart applies the demographic split to daily active user numbers for iOS and Android (i.e., “if 15% of Android users are aged 18-24 and there are 1 million daily active Android users in a quarter, assume 150,000 daily active Android users aged 18-24 in this quarter” as a hypothetical example). To the extent that usage patterns may differ from the percentile split, this assumption may not hold true.

⁴²⁷ ACMA, [Communications and media in Australia: How we communicate](#), December 2022, section 3.

⁴²⁸ Source: Sensor Tower data.

⁴²⁹ ACMA, [Communications and media in Australia: How we communicate](#), December 2022, section 3.

This also has implications for advertisers, who may wish to target certain audiences with display advertising. TikTok may offer them an alternative to reach the younger age demographic to Facebook and Instagram, however, as discussed in chapter 2 there are a variety of factors that impact advertisers' decisions about which platforms to advertise on. Conversely, TikTok and Snapchat are less likely to offer advertisers an alternative to reaching users over the age of 35.

3.2.4. Multi-homing by users on social media platforms

The ACCC has considered the extent to which multi-homing between platforms (the practice of using more than one platform for the same type of service) acts as a competitive constraint on Meta's social media services. In the context of social media services, users are often considered to be multi-homing if they use more than one social media platform during a given period of time (for example, using more than one platform in a given month).

Analysing multi-homing behaviour can provide insights into the nature of competition between firms. For example, multi-homing can promote competition where it enables users to effectively switch between services in response to price or quality differences.⁴³⁰ However, in practice, there may be ambiguities in the interpretation of the data used to analyse multi-homing. For example, data that indicates that users use 2 platforms concurrently could be interpreted as evidence of substitution and close competition between the 2 platforms, or alternatively that the 2 platforms are complementary or differentiated.⁴³¹

As such, it can be difficult to use information about users using multiple platforms concurrently to infer the degree of substitutability between services. This is particularly important for social media platforms as social media services are differentiated and because users may use social media services for different reasons. For example, multi-homing users of Facebook and LinkedIn may be using these platforms to reach different audiences (family and friends versus colleagues) and/or for different purposes (social versus professional networking).

Meta submits that users of social media platforms can and do multi-home between services at little or no cost, and that this indicates that competition between social media platforms for users is strong and vigorous.⁴³² However, the observation that many users use multiple social media services concurrently does not necessarily imply that competition between social media platforms, particularly with Meta's services Facebook and Instagram, is strong.

As discussed above, many social media services offer services that are differentiated with Facebook in respect of connecting with friends and family, or connecting with users with similar interests. As discussed above, there are some overlaps in the functionality and demographics of the users of Instagram, TikTok and Snapchat, indicating that these may be alternatives in some circumstances. However, there remains differentiation between these services (such as Instagram featuring posts and stories from accounts that users follow compared to TikTok who typically shows algorithmically promoted content to users based on their interests).

⁴³⁰ F Morton et al, [Equitable Interoperability: The 'Super Tool' of Digital Platform Governance](#), 13 July 2021, p 6.

⁴³¹ OECD, [Rethinking Antitrust Tools for Multi-Sided Platforms](#), pp 19, 60–61.

⁴³² Meta, [Submission to the Report](#), 12 October 2022, p 3.

Further, while many users use multiple social media services concurrently, as discussed above, older users are less likely to use multiple social media services compared to younger users. Feedback from stakeholders has also indicated that there are differences in the way that younger and older users multi-home. One stakeholder noted that younger users are more likely to multi-home and use multiple social media platforms than older users, and that as users get older they tend to consolidate the number of platforms that they use.⁴³³

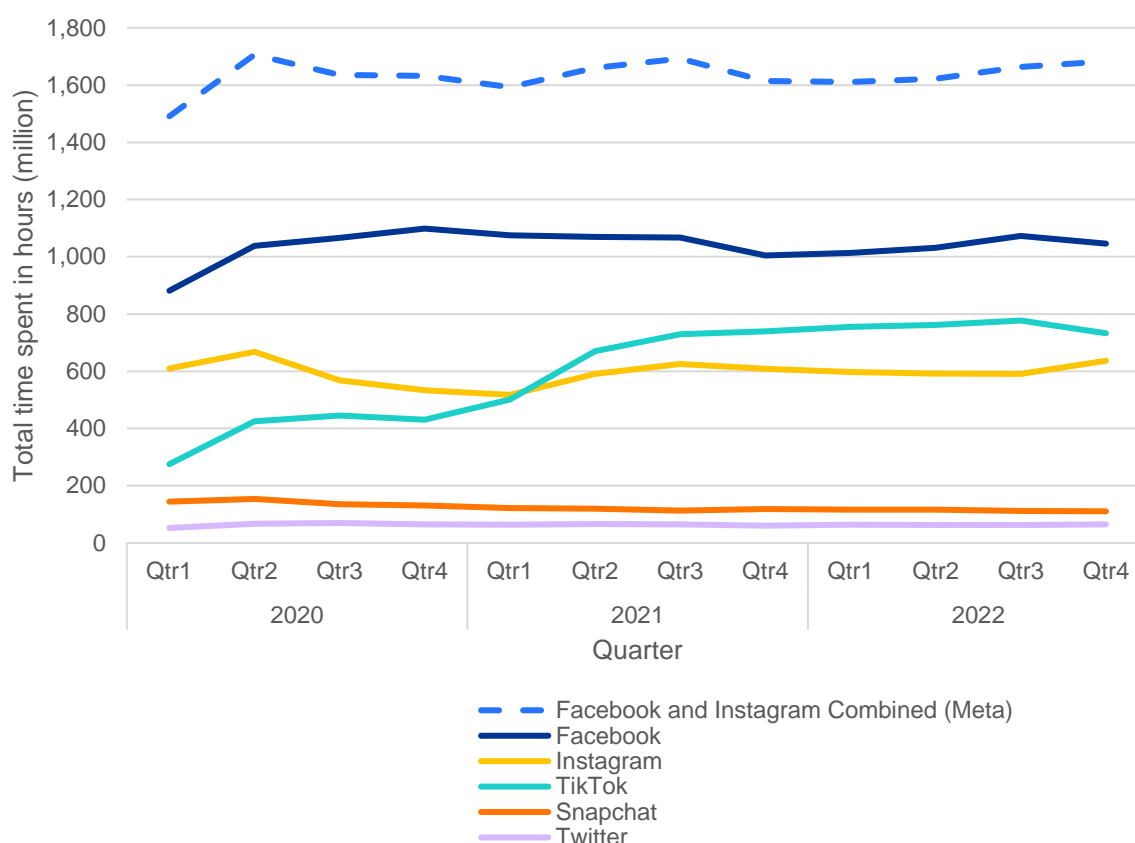
This may be because younger users are more willing and adaptive in trying new technology and have more time that they are willing to spend on social media. This is consistent with Snapchat's usage broken down by age demographics, where Snapchat has not been successful in capturing users over age 25 despite being launched in 2011. This may also reflect relatively larger costs that some users anticipate or expect to bear to multi-home. These costs could include the efforts and time spent on downloading and installation, onboarding, learning to use, and establishing social networks on the other platforms. These costs may discourage some users from multi-homing if they perceive these costs cannot be justified by their perceived benefits. The ACCC notes that switching costs are discussed in more detail below in section 3.3.2.

As multi-homing between social media services can act as a competitive constraint on Meta if it facilitates switching between substitute services, the ACCC has also considered trends in time spent by users on social media services over time. If services are close substitutes, this could be reflected in a change in the time spent on Meta's platform by existing users in response to a new entrant, or in response to a change in the relative quality of other social media services.

Since TikTok's entry and expansion in Australia in 2020, the total amount of user time spent on Meta's services has not significantly changed. This could reflect a lack of switching away from Meta's services in response to TikTok's entry, and therefore that TikTok may not be a close alternative to Meta's services (or potential complementarity between the 2 services).

⁴³³ Confidential meeting with industry stakeholder, published with consent.

Figure 3.9: Total time spent by Australians on key social media platforms per quarter⁴³⁴



The ACCC also notes that understanding the relationship between multi-homing and platform competition is an active research area for economists and this relationship may be especially complicated in multi-sided markets. The ACCC considers that there may be a need to interpret data on multi-homing with caution. As discussed above, since both substitution and complementarity between platforms may lead to multi-homing it is difficult to make conclusions about the degree of platform competition on this data alone.

3.3. Barriers to entry and expansion

Barriers to entry and expansion for the provision of social media services in Australia remain high, despite the recent entry and expansion of TikTok.

⁴³⁴ Source: Sensor Tower data. This chart shows the total time spent by Australian users on social media platforms since 2020. This is measured in millions of hours across all Australian users in the quarter. The measure of ‘all users’ is based on Sensor Tower’s ‘total time spent’ measure, which is an estimate of time spent for all Australian users based on total session count and session duration metrics based on Sensor Tower’s panel, which is then extrapolated to all Australian users. To understand these figures, it is useful to consider a platform like Facebook which has approximately 18 million monthly active users in Australia. The ACCC would expect the number of unique users active on Facebook in a quarter to be of similar size, or slightly higher. Facebook has an average time spent per quarter of approximately 1,039 million hours. Dividing 1,039 million hours by 18 million users is equivalent to an approximate average of 57.7 hours per Australian user per quarter.

The ACCC concluded that barriers to entry and expansion for social media services are high in its Digital Platforms Inquiry Final Report. Since 2019, new platforms that exhibit social media characteristics have entered the market. However, these platforms have either remained insignificant in size, have not monetised (for example, BeReal), or do not have a core focus on social connection (for example TikTok). This observation is consistent with the explanation that barriers to creating a platform or social media service may be relatively low in comparison to the barriers to achieving a significant market presence, discussed below. To date, the only new social media platforms that have had notable growth in Australia since 2019 are TikTok and BeReal.

Notwithstanding TikTok's entry and expansion in providing social media services, the ACCC considers that barriers to entry remain high. TikTok's entry demonstrates the height of the barriers to entry for social media services, in particular, the significant investment necessary to drive new entry and acquire users, and the need to enter with a differentiated service. TikTok's entry into providing social media services is described in box 3.4. A discussion of specific barriers to entry for social media services, including same-side network effects, switching costs, cross-side network effects and economies of scale, sunk costs, and replication and interoperability is below.

Box 3.4: TikTok's entry and growth in social media services

Since its global launch in 2018, TikTok, a platform known for its entertaining short-video content, has grown rapidly in popularity in Australia and around the world. This section describes the factors and business strategies that may have contributed to TikTok's success by enabling it to overcome high entry barriers that typically hamper new social media services.

Significant investment in the platform has been a key driver of entry

Douyin, a social media service, was launched in China in 2016.⁴³⁵ In 2018, its parent company, ByteDance, acquired Musical.ly, which it purchased for approximately US\$1 billion. At the time of the acquisition, Musical.ly had approximately 200 million monthly active users worldwide and 60 to 65 million users in the US and Europe.^{436,437} Musical.ly was predominantly used by teens in North America and Europe.⁴³⁸ ByteDance used the acquisition of Musical.ly, along with its existing Douyin service, to begin TikTok's global expansion.⁴³⁹

In 2018 TikTok spent over US\$300 million on Google ads⁴⁴⁰ and as much as 22% of all Facebook advertisements by Apple devices in the US were for TikTok.⁴⁴¹ In the first

⁴³⁵ J Tidy and S Smith Galer, '[TikTok: The story of a social media giant](#)', *BBC*, 5 August 2020, accessed 23 March 2023.

⁴³⁶ A Cullins, '[Musical.ly Reaches Landmark Settlement With FTC Over Alleged Violations of Children's Online Privacy Laws](#)', *The Hollywood Reporter*, 27 February 2019, accessed 14 March 2023.

⁴³⁷ P Mozur, '[Musical.ly, a Chinese app big in the US, sells for \\$1 billion](#)', *CNBC*, 10 November 2017, accessed 14 March 2023.

⁴³⁸ S Millward, '[Musical.ly, a huge hit with teens, is acquired by ambitious Chinese media startup](#)', *Tech in Asia*, 10 November 2017, accessed 14 March 2023.

⁴³⁹ J Tidy and S Smith Galer, '[TikTok: The story of a social media giant](#)', *BBC*, 5 August 2020, accessed 23 March 2023.

⁴⁴⁰ Y Zhang and J Osawa, '[China's ByteDance Plans Slack Rival Even as Losses Mount](#)', *The Information*, 6 March 2019, accessed 14 March 2023.

⁴⁴¹ P Dave and K Paul, '[Facebook defies China headwinds with new ad sales push](#)', *Reuters*, 2 January 2022, accessed 14 March 2023.

quarter of 2019, 13% of all Facebook's advertisements on Android devices were for TikTok.⁴⁴²

The acquisition of Musical.ly and the promotion of TikTok to attract and retain users were supported by the significant investment that ByteDance attracted. By 2018, ByteDance had raised over US\$7.4 billion⁴⁴³, and by 2020 it had raised US\$9.4 billion.⁴⁴⁴

TikTok has also used its financial resources to create incentives to attract influencers to it, and to encourage them to create popular content. The Creator Fund is a pool of funds that TikTok uses to pay influencers who have at least 10,000 followers and generated 100,000 videos views in the previous 30-day period.⁴⁴⁵ The fund was set up in 2020 with US\$200 million and TikTok indicated that it could be increased to US\$1 billion over the next few years.⁴⁴⁶ TikTok pays eligible creators between 2 to 4 cents for every 1,000 views or US\$20 to US\$40 for every one million views.⁴⁴⁷ The ACCC is not aware of how much has been paid out of the fund to influencers since its inception.

Differentiated content delivery overcomes some network effects

TikTok's recommendation algorithm delivers personalised content to users based on content that they have engaged with, rather than content from their social network, differentiating TikTok from other platforms.⁴⁴⁸ TikTok's growth and popularity can be partly attributed to the fact that its users can receive entertaining content outside of their personal network. In this sense, TikTok is not as reliant on network effects derived from a critical mass of users' friends or family to become an attractive service.⁴⁴⁹

By not requiring users to build a social network before they can receive personalised content, TikTok sidestepped the barrier to expansion attributed to same-side network effects (discussed further in section 3.3.1). Same side network effects may otherwise limit users' incentive to join a new platform where that platform relies on sourcing personalised content from users' social network. This is because users may experience a lack of content or utility of the platform during the early stages of the platform when their social networks have not yet joined.

Other reasons why TikTok has been able to overcome entry and expansion barriers

Other factors may have also contributed to the success of TikTok. For example, TikTok's focus on making it easy for users to post content, and its focus on creativity and 'fun' content, may have helped it attract a younger user base.⁴⁵⁰ Younger users may also be more willing to try new social media services because they are less likely to have an established social network or as much shared content on existing social media services as older users.

⁴⁴² D Ramli and S Banjo, ['The Kids Use TikTok Now Because Data-Mined Videos Are So Much Fun'](#), *Bloomberg*, 18 April 2019, accessed 14 March 2023.

⁴⁴³ S Kunthara, ['As Companies Battle For TikTok, A Look Back At Its Funding History'](#), *Crunchbase News*, 28 August 2018, accessed 14 March 2023.

⁴⁴⁴ Crunchbase, [ByteDance Company Financials](#), undated, accessed 2 March 2023.

⁴⁴⁵ TikTok, [Creator Fund](#), accessed 9 March 2023.

⁴⁴⁶ TikTok, [Introducing the \\$200 million TikTok Creator Fund](#), 23 July 2020 and updated on July 29 [no year provided] and 25 March 2021, accessed 9 March 2023.

⁴⁴⁷ J Hughes, [Is the TikTok Creator Fund Worth It? Everything You Need to Know](#), *Hootsuite Blog*, 27 January 2022, accessed 9 March 2023.

⁴⁴⁸ C Newport, ['TikTok and the Fall of the Social-Media Giants'](#), *The New Yorker*, 28 July 2022, accessed 14 March 2023.

⁴⁴⁹ C Newport, ['TikTok and the Fall of the Social-Media Giants'](#), *The New Yorker*, 28 July 2022, accessed 14 March 2023.

⁴⁵⁰ Paper+Spark, [TikTok and the Power of Individuality and Creativity](#), 22 June 2020, accessed 14 March 2023.

TikTok also enabled its user content to go viral, by exploiting mechanisms that support raising content awareness such as popular hashtag trends that enable trending challenges, memes, or other repeating formats. Viral content is an effective promotional material because it can generate significant amounts of awareness and traffic to a platform.⁴⁵¹

TikTok also may have had an advantage in overcoming entry barriers through its initial entry in China. Popular global social media platforms (such as Facebook, Instagram, Snapchat and Twitter) do not have a presence in China. This may have provided TikTok with the advantage of being able to scale its platform and test and train its algorithm in an environment where other global social media platforms are not active, before TikTok became available globally.

3.3.1. Same-side network effects

Social media platforms exhibit same-side network effects on the user side of the platform, such that an increase in the number of users of a platform tends to raise the value of the platform to a given user. If users are using the platform to connect with friends and family, a platform is likely to be relatively more valuable to an individual user if more of the user's social group and family are on that platform. If users are using the platform to connect with other users with similar interests, a platform is likely to be relatively more valuable to an individual user if more users on that platform have similar interests.

As a result of same-side network effects, new or smaller platforms that compete directly with an incumbent may find it difficult to establish and grow a user base. To establish a user base, they need to provide a sufficiently compelling offer to convince groups of related users to switch together to their new or smaller platform, and away from the incumbent's platform. This can be a significant hurdle for new entrants and may mean that, rather than compete directly with an incumbent, entry occurs instead with niche or differentiated social media platform. This is consistent with the conclusions in the ACCC's Regulatory Reform Report that 'disruptive entry is unlikely to come from an entrant that largely replicates the service offered by the incumbent platform'.⁴⁵²

Meta's social media services have a significant advantage over new or smaller platforms because of the size of their user bases, which also covers a range of demographics. As a result, new or smaller platforms seeking to attract users to their platform for the purpose of connecting with friends and family on the platform, or for the purpose of connecting with other users with similar interests, may need to provide groups of related users of Facebook and Instagram with a significantly more compelling offer to convince these users to switch.

Given these network effects, entry is more likely to occur for niche or differentiated social media platforms, which is consistent with the analysis of TikTok's successful entry above. One reason for TikTok's successful entry is that it offered a differentiated service to Meta's platforms, particularly by delivering users content that was not connected to a user's social group. As a result, TikTok has been able to demonstrate its value to users without needing the users to first build or migrate their social network to its platform. As a

⁴⁵¹ C Newport, '[TikTok and the Fall of the Social-Media Giants](#)', *The New Yorker*, 28 July 2022, accessed 14 March 2023.

⁴⁵² ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 33.

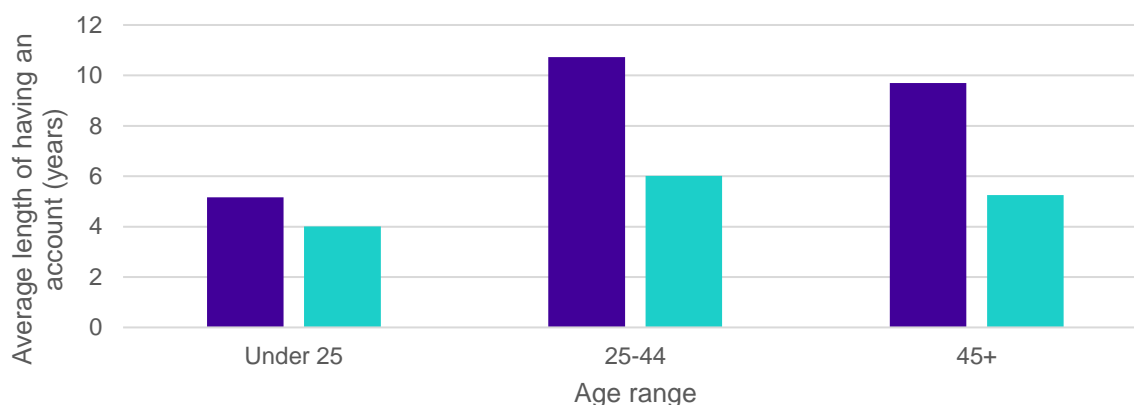
result, TikTok was able to overcome some of the same-side network effects that are faced by platforms that focus on connecting users to their existing social groups.

3.3.2. Switching costs

In addition to network effects that means a user switching to another platform risks losing connections to friends or family, users may also lose access to personal and shared information held on social media platforms if they switch to an alternative platform. This may include photos, messages, posts and comments, and can make it more difficult for new entrants (or existing rivals) to attract users who have amassed personal information on one platform. To some extent, the barriers created by these switching costs may be moderated by multi-homing, which is discussed above in section 3.2.4. Multi-homing may mean that users can shift some of their time from one platform to another, and try new platforms, without having to leave a platform entirely. However, this does not necessarily overcome all switching barriers, and there is likely to be a limit to the number of platforms that users are willing to use.

As the volume of personal and shared information a user has on a social media platform is likely to build over time, switching costs may increase as the length of time a user is on the platform increases. Data provided by Meta suggests that Facebook users older than 25 years old have had accounts for substantially longer than those under 25. This may account for the greater willingness for younger users to use alternative platforms than older users, with their lower amount of information on Meta resulting in lower switching costs relative to other users.

Figure 3.10: Average length of time that Australian users have had an account on Facebook and Instagram⁴⁵³



⁴⁵³ Based on ACCC analysis of Facebook internal data. The ACCC notes that the age information in this data for Facebook and Instagram reflects age as self-reported birthdates by users at a point in time (for example, at the time of registration). For some users, this information may be inaccurately reported. This data does not reflect the basis on which Meta records or reports this information either internally in the ordinary course of business, to meet the disclosure obligations or other legal requirements and Meta does not verify this self-reported information in the ordinary course of business. Users whose age could not be determined have been excluded from this analysis.

This chart uses data on the average length of time accounts holders have had accounts. The data included a larger number of age bands than is shown in this chart. To aggregate the age bands, the ACCC weighted the averages between the age bands supplied, by using monthly active users in July 2022 (as supplied by Facebook) in that age band for that platform. For example, if 45% of monthly active users in the 25-44 band were aged 25-34, then a 45% weight would be applied to the average length of time users aged 25-34 had been on Facebook and a 55% weight to the time users 35-44 had been on the platform.

Facebook's Groups functionality can further prevent users from easily switching between platforms. Users may rely on Facebook's Groups for medical information, club activities, local news, political organising and hobbies, and this may act as a barrier to users switching away from Facebook's services.⁴⁵⁴ Users rely on Facebook's services even where users have reported concerns with aspects of Facebook's services that would otherwise prompt them to leave the platform.⁴⁵⁵

The above is consistent with the US Federal Trade Commission's alleged monopolisation case against Facebook which states that:

over time, users... build more connections and develop a history of posts and shared experiences, which they cannot easily transfer to another personal social networking provider. Further, these switching costs can increase over time – a 'ratchet effect' – as each user's collection of content and connections, and investment of effort in building each, continually builds with use of the service.⁴⁵⁶

There are also potentially significant learning costs, particularly for older users. In 2018, the Office of the eSafety Commissioner observed that approximately 34% of Australians aged 50 years and over had low digital literacy levels, and that there was a strong relationship between age and digital literacy levels.⁴⁵⁷ Low digital literacy levels may mean that older users are less likely to switch between services as it requires learning and understanding a new platform. While digital literacy among older Australians may have improved since 2018, older users are likely to face higher learning costs and higher barriers to switching between services, than younger users. This limits the ability of some groups of users to switch or multi-home effectively between platforms.

Meta has submitted that switching costs between different services are low, noting that many services are free, and it takes a limited amount of time to download a new app.⁴⁵⁸ While this may mean that the time and financial costs to switching are low, for the reasons outlined above, the ACCC does not consider that switching costs are necessarily confined to only those costs.

These switching costs tend to be particularly high for users who have invested a lot of time in uploading material and building a large network. Further, these users may also be more valuable for a platform if this is associated with those users spending more time on the platform. Accordingly, Meta's platforms are likely to enjoy the benefit of switching costs that limit the ability of new entrants to enter and compete with incumbent social media platforms.

3.3.3. Cross-side network effects and economies of scope for advertising

As discussed in chapters 1 and 2, social media platforms earn revenue from selling digital display advertising on their platform.

⁴⁵⁴ H Kelly, [Why it's easy to hate Facebook but hard to leave](#), *The Washington Post*, 19 November 2020, accessed on 14 March 2023.

⁴⁵⁵ H Kelly, [Why it's easy to hate Facebook but hard to leave](#), *The Washington Post*, 19 November 2020, accessed on 14 March 2023.

⁴⁵⁶ US Federal Trade Commission, [Public redacted complaint for injunctive and other equitable relief against Facebook, Inc.](#), 13 January 2021.

⁴⁵⁷ eSafety, [Understanding the digital behaviours of older Australians](#), May 2018, p 5.

⁴⁵⁸ Meta, [Submission to the Report](#), 12 October 2022, pp 9-10.

In general, a social media platform with a relatively larger and more engaged consumer base can provide advertisers with greater audience reach and importantly collect a greater quantity of user data that it can use to improve the quality of its audience targeting offerings. This allows advertising to be more targeted, which is valuable to advertisers and further enables greater advertising revenue to the platform. As discussed below, there may also be consumption synergies such that advertisers benefit from using a single platform to reach their desired audience (as opposed to using multiple platforms). These factors give rise to positive cross-side network effects from the consumer-side to the advertiser-side, where an increase in the number of consumers using the platform increases the value of the platform to advertisers.

In this respect, Meta has a significant advantage over smaller rivals due to the size of its consumer base, and time spent, on its 2 social media platforms.⁴⁵⁹ Further, it has a significant advantage in accessing data across a range of consumer services (economies of scope), including those beyond its social media platforms, to improve the quality of advertising targeting. Submissions indicate that Meta has a significant data advantage over other social media platforms (excluding YouTube) when it comes to its ability to target users for advertising purposes.⁴⁶⁰ In 2020, the ACCC found that, on a sampled set of 1,000 websites, Facebook (now Meta) had the second highest number of third-party tracking scripts, second only to Google.⁴⁶¹

The ACCC considers that there may also be consumption synergies for advertisers. For smaller advertisers in particular, Facebook Ads can serve as a single point of sales for advertising inventory across Meta's platforms and the Facebook Ad Network. Smaller advertisers, such as small businesses, are likely to value purchasing advertisements from a single (or few) large advertising platforms to take advantage of lower learning and management costs. Advertisers that only use one platform are also better able to cap the frequency of their advertisements (that is, the number of times the same person views an ad), can more effectively re-target users with ads, and can access consistent metrics about the performance of their ads. This is because of the inconsistency of advertising metrics between different platforms and difficulty assessing performance of advertisements on different platforms.

This can raise the risk of entry for rivals who wish to enter with advertising-funded business models, particularly those in close competition, or attempting to closely compete, with Meta's social media platforms. If a potential entrant anticipates that it will operate at a relatively small-scale for a substantial period of time, and as such is unable to provide advertisers with access to a large range of end users with granular targeting options, they may anticipate difficulties in attracting advertisers and monetising their platforms. However, the ACCC also notes that it may be easier for potential entrants to enter with a niche or differentiated service that attracts a specific group of consumer users and therefore may appeal to particular types of advertisers.

3.3.4. Sunk costs

Many digital platforms incur high up-front, fixed costs to establish and maintain their service. These costs can deter new entry if the costs are 'sunk' (that is, costs that cannot be recovered if an entrant is unsuccessful). Sunk costs raise the risk associated with

⁴⁵⁹ Confidential meeting with industry stakeholder, published with consent.

⁴⁶⁰ Pinterest, [Submission to the Report](#), 12 October 2022, p 4.

⁴⁶¹ ACCC, [Digital Platform Services Inquiry, Report on Online Private Messaging Services](#), 23 October 2020, p 47.

entry where there is some chance that entry will be unsuccessful, and in general entry will be less appealing the higher sunk costs are relative to the expected profit opportunity.⁴⁶²

The costs associated with entry and expansion in social media services appear to be significant. As noted earlier, the only new social media platforms to have had any notable growth in Australia since the DPI Final Report are TikTok and BeReal. Further, while BeReal has grown in 2022, its number of monthly active users have decreased in 2023 and it remains a relatively small competitor.

As discussed in box 3.4, TikTok and its parent company ByteDance made significant investments to grow TikTok's user base in 2018. This included the acquisition of Musical.ly for approximately US\$1 billion and spending over US\$300 million on Google Ads.⁴⁶³ Further, as much as 22% of all Facebook advertisements on Apple devices in the US were for TikTok in 2018,⁴⁶⁴ and in the first quarter of 2019 13% of all Facebook advertisements on Android devices were for TikTok.⁴⁶⁵

Media reports suggest that in 2018, TikTok spent nearly US\$1 billion on advertising, which helped it break into the US.⁴⁶⁶ It is also suggested that in order to drive downloads of the TikTok app, TikTok's advertising spending jumped to as much as US\$3 million a day in the US in 2018–2019.⁴⁶⁷

As such, the costs associated with entry and expansion in social media services appear to be significant, and they involve expenses that may be 'sunk' costs (such as advertising expenses). Given the uncertainty faced by new entrants regarding the likelihood of success, the ACCC considers that these costs can generate significant risks for new entry and therefore act as a barrier to entry in social media services.

3.3.5. Replication and interoperability

Given the barriers to entry and expansion described above for a new entrant seeking to compete directly with Meta's social media services, new entrants may consider entering by initially offering a complementary or differentiated product to what is offered by existing social media platforms. Some examples of this include:

- Instagram's entry (prior to its acquisition by Facebook) focussed on providing a feed of photos only in its app.
- Snapchat's entry focussed on ephemeral stories which allowed users to send images to each other that disappeared after a set period of time.
- TikTok's entry focussed on short form videos.

Over time, new entrants that enter in this way may add new and innovative features to keep users engaged on their platforms. New entrants may also add new features that enable them to compete more directly with larger incumbent social media platforms, for

⁴⁶² OECD, [Policy Roundtables: Barriers to Entry](#), October 2005, p 28.

⁴⁶³ Y Zhang and J Osawa, [China's ByteDance Plans Slack Rival Even as Losses Mount](#), *The Information*, 6 March 2019, accessed 14 March 2023

⁴⁶⁴ P Dave and K Paul, [Facebook defies China headwinds with new ad sales push](#), *Reuters*, 7 January 2022, accessed 14 March 2023.

⁴⁶⁵ D Ramli and S Banjo, [The Kids Use TikTok Now Because Data-Mined Videos Are So Much Fun](#), *Bloomberg*, 18 April 2019, accessed 17 February 2023

⁴⁶⁶ G Wells and Y Jie, [TikTok's Videos are Goofy. Its Strategy to Dominate Social Media is Serious.](#) *The Wall Street Journal*, 29 June 2019, accessed 23 February 2023.

⁴⁶⁷ G Wells and Y Jie, [TikTok's Videos are Goofy. Its Strategy to Dominate Social Media is Serious.](#) *The Wall Street Journal*, 29 June 2019, accessed 23 February 2023.

example, by Snapchat's Snap Map feature which allows users to share their location with their connections.

In response, incumbents have replicated their rivals' innovative features:

- When Snapchat entered, Instagram copied Snapchat's stories feature, and Instagram Stories remain an important part of Instagram's offering today.
- When Vine commenced as a short-form video app (providing users with the ability to share looping 6 second videos with other users), Instagram introduced 15-second video clips to its platform.⁴⁶⁸
- When BeReal entered, TikTok launched a feature called TikTok Now, which replicated BeReal's features in its own app.⁴⁶⁹

While the ACCC has observed the replication of features by a range of incumbents, economies of scope and a large user base may mean that larger incumbent platforms can more easily add new features that mimic a new entrant's product at scale and test whether those features are valued by users of their platform. Further, incumbents, such as Meta, who operate multiple differentiated social media platforms and related services may be better placed to replicate a broader range of innovative features.

The ACCC has also observed changes in the way that incumbent platforms interoperate with rival platforms in response to new entrants. For example, Instagram's algorithm does not promote any Reels that have TikTok watermarks on them.⁴⁷⁰ In providing access to a larger volume of users through a range of features and functions, larger incumbents that offer multiple social media platforms could have a material impact on the success of a new entrant with changes in interoperability between their services and those of new entrants.

As discussed in chapter 1, social media platforms compete by replicating features to keep users engaged on their platforms. Some of these activities can bring benefits to consumers through increased access to popular new features. However, strategic replication and changes to interoperability by incumbents may also increase the risks faced by new entrants by reducing the likelihood that they gain scale with their innovative offerings, and may also create strategic barriers to entry and expansion. In the case of Vine's entry, media observed that Instagram's introduction of 15-second clips to its platform was the 'beginning of the end' for Vine.⁴⁷¹ As a result, new entrants may be unable to gain a foothold in a complementary service that would enable them to, in future, develop a service that is a close substitute to Facebook or Instagram. Further, incumbents may build up a reputation for quick imitation of successful features and thereby discourage potential entrants to develop new features. This is especially the case if an entrant's new features are unlikely to be protected by intellectual property law.

The US House Judiciary Committee's report into the state of competition in the digital economy also noted an interaction between these activities and strategic acquisitions by Meta. These acquisitions are set out in further detail in chapter 1. For example, it reported that Meta threatened to 'crush' Instagram if Meta could not acquire it, including by

⁴⁶⁸ C Newton, [Why Vine died](#), *The Verge*, 28 October 2016, accessed 2 March 2023.

⁴⁶⁹ TechCrunch, [TikTok just launched a BeReal clone called TikTok now](#), 16 September 2022, accessed 2 March 2023.

⁴⁷⁰ A Carman, [Instagram says its algorithm won't promote Reels that have a TikTok watermark](#), *The Verge*, 10 February 2021, accessed 2 March 2023.

⁴⁷¹ C Newton, [Why Vine died](#), *The Verge*, 28 October 2016, accessed 2 March 2023.

restricting interoperability between Instagram and Facebook or by copying Instagram's features on Facebook.⁴⁷²

As a result, the ACCC considers that a combination of these behaviours from incumbent social media platforms may raise the barriers to entry by deterring new entrants from competing with Meta's services, especially where Meta can impact their success through imitation or a denial or limitation of interoperability. It may also subsequently impact a new entrant's ability to attract funding to develop their product. The ACCC has not considered whether these behaviours by incumbent social media platforms are anti-competitive, and considers that they can provide a benefit to users where they result in a greater range of valued, innovative features that are available to users on both new and incumbent platforms. Notwithstanding this, these behaviours can raise the barriers to entry and expansion.

3.4. Does Meta have market power for social media services?

The ACCC considers that Meta has a significant degree of market power and faces weak competitive constraints from other social media platforms for the provision of social media services to users. This is especially apparent for users aged over 25 who are less likely to use TikTok than younger users. However, even for younger users, the degree to which TikTok is an effective alternative is limited due to the degree of differentiation between TikTok and Meta's services. The ACCC considers that this degree of market power is likely to remain in the short to medium term.

Barriers to entry and expansion for social media services remain high, and aside from TikTok, the ACCC has not observed material entry or expansion by an alternative to Meta's social media platforms since 2019.

As set out above, TikTok's successful entry and expansion demonstrates the height of the barriers to entry for social media services, including the need to enter with a highly differentiated product with reduced reliance on building social networks on the platform, and the need for significant investment in platform promotion and user acquisition. As a result, the ACCC considers that successful new entry of a close alternative to Meta's social media platforms is unlikely to occur in the short to medium term.

While it is possible that over time, TikTok will continue to expand into older age groups, the ACCC notes that Snapchat has not managed to retain or expand its use in older age groups. Further, while it is possible that TikTok may expand the focus of its service towards facilitating connections between family and friends, it is currently unclear whether TikTok will be successful in doing so. Accordingly, the ACCC considers that in the short to medium term, TikTok is not a strong competitive constraint to Meta's platforms for users, especially for users aged over 25.

Finally, the ACCC's conclusion that Meta has a significant degree of market power in the provision of social media services in Australia does not preclude other social media platforms from having market power in relation to social media services. The ACCC also has not considered services outside of social media supplied by social media platforms (such as e-commerce), and accordingly, has not reached any conclusions about whether

⁴⁷² Subcommittee on Antitrust, Commercial, and Administrative Law of the Committee on the Judiciary of the House of Representatives, [Investigation of Competition in Digital Markets](#), July 2022, pp 136–7.

other social media platforms may have market power for the provision of these other services.

3.4.1. Have users responded to decreases in quality by switching?

If Meta did not have a significant degree of market power, the ACCC expects that a reduction in quality of the social media services provided to users would result in users switching to other platforms. To assess whether users have switched to other platforms in response to potential decreases in quality, the ACCC has analysed usage of Meta's platforms in the aftermath of the Cambridge Analytica scandal (when it became clear that users' data and privacy had been compromised), and in response to the Frances Haugen leaks that were damaging to the public perception of Meta. This analysis is summarised in boxes 3.5 and 3.6.

Box 3.5: Cambridge Analytica scandal

Background

- In March 2018, the New York Times, the Observer and the Guardian obtained documents revealing the practices of data firm Cambridge Analytica.⁴⁷³
- The documents showed that the firm improperly acquired the Facebook data of 87 million users to build voter profiles for political purposes, most notably for the Donald Trump presidential campaign.⁴⁷⁴
- Facebook was issued a US\$5 billion penalty by the US Federal Trade Commission⁴⁷⁵ and a £500,000 penalty by the UK Information Commissioner's Office.⁴⁷⁶ The Office of the Australian Information Commissioner (OAIC) has also launched Federal Court action against Facebook in relation to the disclosure of user data to Cambridge Analytica.⁴⁷⁷

Impacts on Facebook user levels⁴⁷⁸

- ACCC analysis of Sensor Tower data indicated that there was no material change in Facebook nor Instagram's daily active user levels in Australia in the weeks following Cambridge Analytica's conduct becoming publicly known.⁴⁷⁹
- Facebook reported 8% increases in global daily and monthly active users in their 2019 March report.⁴⁸⁰
- In Australia, the number of monthly active users on mobile apps remained steady (~20 million) over the course of the year following the scandal being publicised.⁴⁸¹
- A survey undertaken by Professor Deborah Lupton at the University of New South Wales following the Cambridge Analytica scandal found that Australian users continued to use Facebook as it was the best way to remain connected to friends, family and clients. While Australian users were concerned about their data protection, many did not fully appreciate how Facebook stored their data. As a result, few survey respondents mentioned the Cambridge Analytica scandal when asked whether they were 'bothered or concerned about Facebook's use of information about them.'⁴⁸²
- One survey found that although global users retained a negative view of Facebook following the scandal, just 37% considered that they used Facebook less often than they did before the data breach. The survey found that Millennials were more likely to decrease their Facebook use compared to older generations.⁴⁸³

⁴⁷³ N Confessore, '[Cambridge Analytica and Facebook: The Scandal and the Fallout So Far](#)', *The New York Times*, 4 April 2018, accessed 14 March 2023.

⁴⁷⁴ N Confessore, '[Cambridge Analytica and Facebook: The Scandal and the Fallout So Far](#)', *The New York Times*, 4 April 2018, accessed 14 March 2023.

⁴⁷⁵ N Confessore, '[Cambridge Analytica and Facebook: The Scandal and the Fallout So Far](#)', *The New York Times*, 4 April 2018, accessed 14 March 2023.

⁴⁷⁶ BBC, '[Facebook fined £500,000 for Cambridge Analytica scandal](#)', 25 October 2018, accessed 18 October 2022.

⁴⁷⁷ OAIC, '[Commissioner launches Federal Court action against Facebook](#)', 9 March 2020.

⁴⁷⁸ This analysis is based on a comparison in Sensor Tower data on daily active user numbers on Facebook across a 7-day period taking in each specific newsworthy event date (or 'reference date'). To qualify as a material change, it was decided that there would need to be an observable increase or decrease (from the reference date) which was statistically greater than the typical variation within the daily active user numbers within a 7-day period at the 5% significance level (there is less than a 5% probability of this happening by chance). The ACCC did not identify a statistically significant change.

⁴⁷⁹ The ACCC acknowledges that at the time of the Cambridge Analytica scandal, TikTok had not emerged as a significant supplier of social media services and to that extent competitive conditions have changed since then.

Box 3.6: Leaks of Facebook documents by Frances Haugen

Background

- In October 2021, Frances Haugen, who was a product manager in Facebook’s civic integrity division, leaked thousands of pictures of internal Facebook documents after leaving the company.⁴⁸⁴
- The documents covered a wide array of topics including Facebook’s rule exemptions for certain users, its interactions with younger users, the platform’s use by illicit organisations and its moderation of content (particularly political and religious content).⁴⁸⁵
- The documents showed that Facebook had repeatedly found (by conducting 3 studies) that Instagram was harmful to teenagers. Details of an internal presentation showed that among teens who reported suicidal thoughts, 13% of British users and 6% of American users traced the issue to Instagram.⁴⁸⁶

Impacts on Facebook user levels⁴⁸⁷

- ACCC analysis of Sensor Tower data indicated that there was no material change in Facebook or Instagram’s daily active user levels in Australia in the weeks following the leaks by Frances Haugen.

Users have diverse preferences in their use of social media services, which means that there can be challenges in identifying appropriate indicators and measures of quality.⁴⁸⁸ However, the ACCC considers that the lack of switching by users after these events, which generated significant negative publicity at the time, could reflect a lack of good alternatives to Meta’s Facebook and Instagram platforms.

The ACCC considers that some users would have viewed these events as indicating a decrease in the quality of Meta’s services but did not move to other platforms in response. However, as noted in box 3.5, it is also possible that some users did not switch

⁴⁸⁰ Meta, [Facebook Reports First Quarter 2019 Results](#), 24 April 2019, accessed 15 October 2022

⁴⁸¹ Source: Sensor Tower data.

⁴⁸² The Conversation, [Why are Australians still using Facebook?](#), 7 February 2019, accessed 19 October 2022.

⁴⁸³ Cision, [Nearly Half of Social Media Users View Facebook Negatively After Cambridge Analytica but Many Still Use the Platform, New Survey Finds](#), 27 March 2019, accessed 19 October 2022.

⁴⁸⁴ J Horwitz, [The Facebook Whistleblower, Frances Haugen, Says She Wants to Fix the Company, Not Harm It](#), *The Wall Street Journal*, 3 October 2021, Accessed 13 October 2022

⁴⁸⁵ See, for example, G Wells, J Horwitz and D Seetharaman, [Facebook Knows Instagram is Toxic for Teen Girls, Company Documents Show](#), *The Wall Street Journal*, 14 September 2021, accessed 2 March 2023; K Haggey and J Horwitz, [Facebook Tried to Make Its Platform a Healthier Place. It Got Angrier Instead.](#), *The Wall Street Journal*, 15 September 2021, accessed 2 March 2023; J Horwitz, [Facebook Says Its Rules Apply to All. Company Documents Reveal a Secret Elite That’s Exempt.](#), *The Wall Street Journal*, 13 September 2021, accessed 2 March 2023; G Wells and J Horwitz, [Facebook’s Effort to Attract Preteens Goes Beyond Instagram Kids. Documents Show](#), *The Wall Street Journal*, 28 September 2021, accessed 2 March 2023; Wall Street Journal Staff, [Facebook’s Documents About Instagram and Teens. Published](#), *The Wall Street Journal*, 29 September 2021, accessed 2 March 2023; N Purnell and J Horwitz, [Facebook Services are Used to Spread Religious Hatred in India. Internal Documents Show](#), *The Wall Street Journal*, 23 October 2021, accessed 2 March 2023.

⁴⁸⁶ R Albergotti, [Frances Haugen took thousands of Facebook documents: This is how she did it](#), *The Washington Post*, 26 October 2021, accessed 14 March 2023.

⁴⁸⁷ Source: ACCC analysis of Sensor Tower data. This analysis is based on a comparison of data on daily active user numbers on Facebook across a 7-day period taking in each specific newsworthy event date (or ‘reference date’). To qualify as a material change, it was decided that there would need to be an observable increase or decrease (from the reference date) which was statistically greater than the typical variation in daily active user numbers within a 7-day period (there is less than a 5% probability of this happening by chance). The ACCC did not identify a statistically significant change.

⁴⁸⁸ OECD, [Quality considerations in digital zero-price markets](#), 28 November 2018, pp 15–16.

because they were not fully aware of, or did not understand, how these events impact them and therefore do not perceive these events as a change in quality. For example, users may not have understood how these events demonstrated the amount of personal information third parties could access through Meta. It is also possible that users may not place as much importance on privacy as they profess to.

3.4.2. Amount of advertising shown to users on social media platforms

The ACCC has also considered the ad load on social media platforms, that is, the amount of advertising (included paid and promoted content) that is shown to users compared to organic content. There are a range of factors that go into assessing how advertising on a platform impacts the quality of the service delivered to user, such as better targeting resulting in higher quality advertisements being delivered to a user. For example, users may view a service as higher quality if they are shown advertisements that are more relevant to them and better align with their own interests. However, all else being equal, increased ad load (more advertising relative to organic content) is generally seen as a decrease in quality for users.⁴⁸⁹

The ACCC's analysis of ad load on selected social media platforms, using the number of advertising impressions shown to users compared to the total time spent on each social media platform by users, indicates that Meta's Facebook and Instagram platforms have a higher ad load compared to TikTok and Snapchat.⁴⁹⁰ In its quarterly earnings results for the fourth quarter of 2022, Meta reported that it had increased its advertising impressions⁴⁹¹ by 18% year on year.⁴⁹² While there are multiple factors that could explain this observation, the ACCC considers that the higher number of advertisements shown to users on Facebook and Instagram per unit of time spent on the platform is inconsistent with a scenario in which Meta responds to increased competition for users by competing on ad load shown to users. A relatively high level of paid to organic content on Meta's platforms may indicate that Meta's users accept a higher ad load in exchange for using Meta's services, which may indicate that Meta is relatively unconstrained in the intensity of advertising it delivers to users.⁴⁹³

This is consistent with the ACCC's analysis of Australian reviews of social media platforms on Apple's App Store and Google Play between 27 May 2022 and 27 November 2022. In particular, on Meta's platforms:

⁴⁸⁹ This is also supported by an analysis of the reviews of the Meta platforms on the app stores which have a significant number of reviews complaining about the amount of advertising content that is shown on the platform relative to organic content.

⁴⁹⁰ Source: ACCC analysis of Sensor Tower data, including Pathmatics. This analysis is based on data covering advertising impressions served to Australian users on selected social media apps (Facebook, Instagram, TikTok and Snapchat). Pathmatics advertising spend data was not verified with each of the advertisers or brands that formed part of this analysis. The number of advertising impressions for a given period was compared with the total time spent by users on each app, according to Sensor Tower data. A higher number of impressions relative to time spent was interpreted as a higher ad load during that period on that app. As a hypothetical example, if a platform had 200 ad impressions served and 100 hours of user time during a month, this would result in an ad load of 2 advertisements per hours of user time for that period.

⁴⁹¹ The ACCC notes that the total number of advertising impressions served across Meta's services is not the same as an increase in ad load, however, an increase in the number of advertising impressions may result in a higher ad load for users on Meta's Facebook and Instagram services.

⁴⁹² Meta Investor Relations, [Meta Reports Fourth Quarter and Full Year 2022 Results](#), 1 February 2023, accessed 22 February 2023. This percentage includes Facebook, Instagram and WhatsApp.

⁴⁹³ However, the ACCC notes that an increase in the volume of advertisements shown to users could be offset if other quality improvements were made to a platform. The ACCC does not have evidence of corresponding increases in quality of Meta's platform.

- 7% of all reviews on the Instagram app during the period expressed negative views about advertising on the platform, with 91% of reviews that mentioned advertising expressing negative views about the amount or quality of advertising on the platform.
- 9% of all reviews on the Facebook app during the period expressed negative views about advertising on the platform, with 97% of reviews that mentioned advertising expressing negative views about the amount or quality of advertising on the platform.

By contrast, only 0.1% of reviews on the TikTok app and 0.9% of reviews on the Snapchat app during the same period expressed negative views about advertising on the platforms.⁴⁹⁴

3.5. Harms arising from a lack of competition in social media services

Harms to users may be greater in circumstances where consumers obtain services from a platform with high degree of market power, compared to circumstances where consumers have multiple competing, close alternatives to choose from.

Greater competition for social media services would lead to higher quality social media products, and greater incentive to innovate. Improved quality of social media services could be reflected in the functionality of a service, the amount of data collected from users, the quantity of advertising shown to users and the level of service in dealing with complaints.

As set out in the ACCC's Regulatory Reform Report, a lack of effective competition in digital platform services can create significant risk of harms. Competition ensures the pursuit of profits works in the interests of consumers, by encouraging firms to strive to win and retain customers by lowering their prices and improving their services, including by innovating to provide a superior offer. The lack of effective competition in the provision of some digital platform services provides large platforms with the freedom to engage in behaviours that, while privately beneficial, are harmful to consumers and businesses.

Further, where a large digital platform is the sole provider of a service, or one of only a few providers, the platform can be a 'gatekeeper' or 'important intermediary' to substantial volumes of online commerce, making them a 'must have' for a large number of businesses and consumers. This means that users, including business users have few if any alternative options if dissatisfied by the platform's services.⁴⁹⁵

⁴⁹⁴ The ACCC assessed reviews of the Facebook, Instagram, TikTok and Snapchat apps on the Google Play store and Apple App Store through Sensor Tower. The percentage of reviews relating to advertising represents the number of reviews dated 27 May 2022 to 27 November 2022 which use the keywords 'ad', 'advertising' and/or 'advertisements', compared to the total number of reviews on the Apple and Android app stores for each platform (according to Sensor Tower search results dated 27 November 2022).

The percentage of negative reviews represents the number of reviews relating to advertising with a one-star or two-star rating, compared to the total number of reviews relating to advertising for each platform.

⁴⁹⁵ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 40.

Absent effective competitive constraints, there is an increased risk that firms also have the ability and incentive to engage in exclusionary conduct that prevents or inhibits rivals from competing on their merits, which may include (most relevantly to social media platforms):

- anti-competitive self-preferencing, by giving preferential treatment to its own products and services when they compete with products and services provided by third parties using their service
- making access to a service conditional on using another service
- creating barriers to switching and multi-homing, which can be particularly problematic where there are strong network effects
- restricting third-party access to data
- not providing sufficient information to market participants, limiting the efficient functioning of markets.⁴⁹⁶

These behaviours can entrench the market power of a firm. They can also damage competition in downstream or related markets by, for example, preventing competing firms from providing innovative services, limiting their access to users, reducing their ability to gain sufficient scale to effectively compete or otherwise increasing their costs. Ultimately, this behaviour (by entrenching a position of market power) contributes to harms to consumers, such as reduced choice, higher prices, or inferior services compared to what would exist in a more competitive market.⁴⁹⁷

Absent effective competitive constraints, firms are more likely to engage in exploitative conduct, which allows them to ‘give less and charge more’. This can include the excessive costs, born by users, of providing personal data to access services.⁴⁹⁸ Excessive data collection from users by social media platforms is discussed in further detail below.

The Frances Haugen leaks and the Cambridge Analytica scandal demonstrate that, to the extent that users are harmed by Meta’s social media platforms (such as through the promotion of harmful content and the harms to user privacy), users do not switch in response. One interpretation is that if there were effective alternatives to Meta’s services, it would be expected that some consumers would switch in response to these harms, and that Meta would be incentivised to minimise these harms to users to reduce the risk of losing users. However, to some degree the lack of consumer switching reflects the fact that users may not care as much about privacy as they profess to, or that there are information asymmetries which means that users are not informed about how their personal data is used.

The ACCC recognises that a firm could obtain market power from ‘out-competing’ its rivals with superior skill and efficiency. This conduct is part of the competitive process and drives firms to improve their performance and offer products that are increasingly attractive to customers. The ACCC would, however, have strong concerns where a firm with significant market power damages the competitive process by deterring rivals, or potential rivals from competing on their merits or where firms undertake an acquisition or merger with anti-competitive effects.

The ACCC also notes that there are harms to consumers and small business that are not as closely linked to a platform’s market power or from a lack of effective competition

⁴⁹⁶ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 41.

⁴⁹⁷ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 42.

⁴⁹⁸ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 41.

between social media platforms. These harms are discussed in chapter 4, which focuses on consumers and small businesses.

3.5.1. Consumers may experience reduced privacy and autonomy from excessive data collection and use

A lack of effective competition in the supply of social media services can reduce consumer choice. Where there are few (or no) comparable alternatives available, or consumers feel compelled to use the service because their social or work networks use them, consumers may need to accept undesirable terms of use. These undesirable 'take-it-or-leave-it' terms can involve the unwanted collection and use of consumers' data, or greater exposure to targeted advertising.

Effective competition may encourage social media platforms to compete based on the level of privacy and data protection they offer. This may become a catalyst for the introduction and adoption of more privacy-focused and security-focused business models that reflect consumers' data preferences, rather than the preferences of a large platform.

However, where social media platforms have an incentive to extract large volumes of individual-level consumer data (for example, in order to generate revenue through targeted advertising), platforms may be incentivised to collect and use consumers' personal data in ways that are not aligned with consumer preferences. Further, where data is used in other parts of a social media platform's ecosystem, consumer harms associated with privacy may extend beyond the service being directly used by the consumer.

The ACCC also recognises that there may be other factors that impact the degree to which consumers allow access to their data. For example, information asymmetries between a social media platform and consumers in respect of the platform's data collection and use can make it difficult for consumers to make informed choices about whether and how a platform can collect and use their individual-level data.

This is consistent with action taken against Meta by other competition regulators. For example, the Autorità Garante della Concorrenza e del Mercato (the Italian Competition Authority) has issued numerous fines to Meta (then Facebook) for data practices that breached the Italian Consumer Code. In 2017, the Autorità fined WhatsApp €3 million for infringing the Italian Consumer Code, by forcing users to accept new terms of service in full through a provision on sharing of user data with Meta (then Facebook).⁴⁹⁹ In 2018, the Autorità issued 2 fines further totalling €10 million to Meta for infringing the Italian Consumer Code by:

- misleading consumers signing up to Facebook by emphasising the free nature of Facebook's services without adequately informing them during sign-up that the data they provide will be used for commercial purposes
- exerting undue influence on signed-up Facebook users to allow their data to be shared between Meta and third-party websites and apps for commercial purposes.⁵⁰⁰

⁴⁹⁹ Autorità Garante della Concorrenza e del Mercato, [WhatsApp fined for 3 million euro for having forced its users to share their personal data with Facebook](#), 12 May 2017.

⁵⁰⁰ Autorità Garante della Concorrenza e del Mercato, [Facebook fined 10 million Euros by the ICA for unfair commercial practices for using its subscribers' data for commercial purposes](#), 7 December 2018.

In February 2021, the Autorità issued a fine of €7 million to Meta for failing to comply with an earlier order to adequately inform users about the commercial uses Meta makes of data collected through Facebook.⁵⁰¹

In December 2018, the German Federal Cartel Office (Bundeskartellamt) found that Facebook was dominant in the market for social networks, and that it abused its market power through its collection, merging and use of data in user accounts. As a result, in February 2019 it imposed restrictions on Meta (then Facebook) in the processing of user data. These restrictions imposed limitations on Meta's ability to combine data from different sources, including restricting the use of data collected through Instagram and WhatsApp and third-party websites from being combined with Facebook user data without user consent.⁵⁰²

3.5.2. Other overseas investigations relating to Meta's market power

As noted earlier, the ACCC would have concerns where a firm with significant market power damages the competitive process by deterring rivals or potential rivals from competing on their merits. The ACCC would also have concerns where firms undertake an acquisition or merger with anti-competitive effects.

The ACCC is closely monitoring overseas investigations and litigation relating to Meta's market power:

The US Federal Trade Commission has alleged that Facebook is a monopolist that abused its excessive market power to eliminate threats to its dominance. The US Federal Trade Commission alleges that Facebook has done this by engaging in an illegal buy-or-bury scheme to maintain its dominance in social media, which have suppressed innovation and product quality improvements. This has, the US Federal Trade Commission alleges, resulted in a degraded experience for users, including lower levels of privacy and data protections and more intrusive ads.⁵⁰³

The UK Competition and Markets Authority is investigating whether Facebook's collection and use of data from its digital advertising services, and from its single sign-on option (which allows users the ability to sign into other services using their Facebook login details) was used to unfairly benefit its own services, such as Facebook Marketplace and Facebook Dating (which is not a feature available in Australia).⁵⁰⁴

The European Commission has released a statement of objections informing Meta of its preliminary view that Meta has breached EU antitrust rules by tying its online classifieds advertisements services Facebook Marketplace with its dominant personal social network, Facebook. This means that Facebook users automatically have access Facebook Marketplace, whether that want the service or not. The European Commission has also raised concerns that Meta is imposing unfair trading conditions on Facebook Marketplace's competitors for its own benefit, allowing it to use the data of competing

⁵⁰¹ Autorità Garante della Concorrenza e del Mercato, [Sanzione a Facebook per 7 milioni](#), 17 February 2021; TechCrunch, [Facebook fined again in Italy for misleading users over what it does with their data](#), 18 February 2021, accessed 22 March 2023.

⁵⁰² Bundeskartellamt, [Bundeskartellamt prohibits Facebook from combining user data from different sources](#), 7 February 2019.

⁵⁰³ US Federal Trade Commission, [FTC alleges Facebook resorted to illegal buy-or-bury scheme to crush competition after string of failed attempts to innovate](#), 19 August 2021.

⁵⁰⁴ UK Competition and Markets Authority, [CMA investigates Facebook's use of ad data](#), 4 June 2021.

online classified advertising services.⁵⁰⁵ If confirmed, these concerns would amount to an abuse of a dominant market position by Meta in the European Union.

3.6. Competition for advertisers

In considering competition for social media services, the ACCC understands that while advertisers are able to advertise through a range of online services, social media services are particularly important. Advertising on social media services also tend to offer advertisers greater targeting capabilities and features that are not available through other services.

While the ACCC has not conducted a detailed market power assessment, the ACCC considers that Meta has a strong position among social media platforms in the supply of display advertising services, with advertising on Meta's Facebook and Instagram platforms as an important way for advertisers to reach potential customers. Meta's position in advertising can reinforce its market power in social media, where its position in advertising provides it with advantage in accessing the funds required to invest in new features and technology, to copy features of its rivals, or to buy out competitive threats.

Meta also provides a service that is differentiated from other forms of digital display advertising, which is important to a range of advertisers. This is discussed in further detail below.

3.6.1. How platforms compete for advertisers

Large social media platforms have submitted that competition for advertising revenue is vigorous, with many brands being sophisticated purchasers of advertising services.⁵⁰⁶ TikTok considers that platforms compete to show advertisers the effectiveness of their advertising platforms by demonstrating the richness of the data that they collect, the ability to target specific audiences, evidence of audience engagement with advertising material, a large and diverse user base, and time spent on the platform.⁵⁰⁷

However, the ACCC considers that Meta has considerable advantages over other platforms in terms of the size of its audience, the number of active users, the time spent on its platforms and the data that it collects on users. The information received to date indicates that platforms do not compete strongly for advertisers on the basis of transparency, verification, and reducing fake accounts, bots and/or fraud.

⁵⁰⁵ European Commission, [Antitrust: Commission sends Statement of Objections to Meta over abusive practices benefiting Facebook Marketplace](#), 19 December 2022, accessed 2 March 2023.

⁵⁰⁶ TikTok Australia, [Submission to the Report](#), 12 October 2022, p 5; Google, [Submission to the Report](#), 30 November 2022, p 12; Meta, [Submission to the Report](#), 12 October 2022, pp 18–19.

⁵⁰⁷ TikTok Australia, [Submission to the Report](#), 12 October 2022, p 5.

3.6.2. Differentiation between platforms

Social media platforms offer differentiated services to advertisers seeking to advertise on their platform. Social media platforms can be differentiated in a variety of ways in relation to advertising, including:

- differentiation in the format that the advertising takes, in particular, video advertising vs image or text advertising
- the types of advertisers that the platform attracts – for example, the size and type of business that is advertising.

A stakeholder observed differentiated advertising on Facebook and Instagram compared to advertising on other platforms such as YouTube, TikTok and Snapchat. This stakeholder indicated that while YouTube is an important platform for advertisers, it is much more complicated to produce advertisements for YouTube as they are all in video form, so this is more important for larger advertisers than for smaller advertisers. Similarly, advertising content on TikTok is in the form of a TikTok video, which requires advertisers to make advertisements specifically for TikTok rather than for other platforms. This stakeholder viewed Snapchat as a primarily video-based platform but noted that their clients did not maintain much of an advertising presence on Snapchat beyond producing ‘filter ads’⁵⁰⁸ for events.⁵⁰⁹

Advertising content is much more similar in terms of format across Twitter, Facebook and Instagram, which allows advertisers to post video or image advertising content in similar formats. Advertising content produced for Facebook and Instagram is differentiated from that produced for TikTok, Snapchat and YouTube. Advertising on TikTok and YouTube is predominantly video content, which stakeholders have indicated is more expensive to produce.⁵¹⁰ However, advertisers can advertise on Instagram using sponsored Reels, which mimics TikTok’s advertising format. The differentiation between the advertising formats on social media platforms is likely to reduce the constraint that these other platforms pose on Meta in terms of advertising services.

Finally, differentiation between platforms in terms of the demographics of users that use the platforms will also result in differentiation between advertisers on the platforms. For example, a stakeholder stated that because TikTok has a younger audience, advertising on the platform is likely to suit certain brands and topics, for example, advertisers are more likely to sell cosmetics on the platform than banking and insurance products.⁵¹¹

3.6.3. Importance of Meta to advertisers

Submissions have indicated that Facebook and YouTube are ‘must have’ services for advertisers to place advertising on. This is supported by feedback from stakeholders, where one stakeholder indicated that they ‘could not recall an instance where Facebook had not been included in advertising spend as part of a campaign, with Instagram as a close second and unlikely to not be part of a campaign’.⁵¹²

Facebook may be an unavoidable trading partner to many small businesses. Research commissioned by Meta and published in October 2021 found that 82% of surveyed SMEs

⁵⁰⁸ Filter advertisements allow users to take a photo or video and then apply branded filters over the top.

⁵⁰⁹ Confidential meeting with industry stakeholder, published with consent.

⁵¹⁰ Confidential meetings with industry stakeholder, published with consent.

⁵¹¹ Confidential meeting with industry stakeholder, published with consent.

⁵¹² Confidential meeting with industry stakeholder, published with consent.

in Australia 'reported using Facebook apps to help them start their business'⁵¹³, while 62% 'of SMEs that use personalised advertising on Facebook or Instagram reported that it is important to successfully growing their businesses.'⁵¹⁴ The 2 case studies in that report showed that each business attributed more than 50% of its sales value to advertising using Facebook (Meta) services.⁵¹⁵ One stakeholder commented that Meta has a 'long tail' of small advertisers compared to other platforms.⁵¹⁶ This is consistent with the information in chapter 1, which shows that Meta has, by far, the largest number of Australian advertisers on its platform.

As set out in chapter 2, Meta also accounts for the vast majority of total Australian advertising spend on social media platforms. This is also supported by media reports, which indicate that in the 6 months to January 2023, across spend on Facebook, Instagram, TikTok and Snapchat by Australia's top 20 digital advertisers:

- Facebook accounted for 63% of spend
- Instagram accounted for 27% of spend
- TikTok accounted for 7% of spend
- Snapchat accounted for 3% of spend.

In total, Meta accounts for almost 90% of spend by the top 20 digital advertisers in Australia across these platforms.^{517 518}

Meta's importance to digital advertisers has endured despite concerns with harms arising as a result of Meta's provision of social media services to users, and a boycott in 2020 by advertisers in the US as outlined further below in box 3.7. The ACCC is unaware of a boycott by a significant number of advertisers occurring in Australia.

⁵¹³ Meta, [Dynamic Markets Report: Australia](#), October 2021, p 5.

⁵¹⁴ Meta, [Dynamic Markets Report: Australia](#), October 2021, p 5.

⁵¹⁵ Meta, [Dynamic Markets Report: Australia](#), October 2021, p 5.

⁵¹⁶ Confidential meeting with industry stakeholder, published with consent.

⁵¹⁷ D Song, [Facebook still reigns for advertisers as Meta takes nearly 90% of social budgets: Pathmatics](#), *Mumbrella*, 16 January 2023, accessed 17 January 2023.

⁵¹⁸ The ACCC notes that this analysis does not include YouTube.

Box 3.7: Facebook advertising boycott⁵¹⁹

- Reports indicate that in July 2020, over 1,000 advertisers boycotted Facebook advertising in response to concerns over Facebook's handling of hate speech on its platforms.⁵²⁰
- According to Pathmatics, Sensor Tower's digital advertising analytics service, Facebook's global year-on-year advertising revenue was up by US\$2.4 billion following the boycott.
- While the boycott garnered significant international media attention at the time, ACCC analysis of Pathmatics data indicated that its impact in Australia was limited.
- Because smaller businesses are likely to be particularly dependent on Facebook for advertising,⁵²¹ it may be more difficult for them to cease using the platform.
- Further, because of the consumer reach of Meta's services and business dependence on Meta advertising to drive sales, businesses in Australia would be negatively impacted by reducing their advertising spend.

In 2019 in the Digital Platforms Inquiry Final Report, the ACCC concluded that Meta (then Facebook) had substantial market power in the supply of display advertising services in Australia.⁵²² More recently, in November 2021 the UK Competition and Markets Authority found that Facebook has significant market power in display advertising in the UK.⁵²³ As outlined above, the ACCC has not conducted a detailed market power assessment in relation to the provision of display advertising to advertisers in Australia in this Report. However, it is clear that Meta has a strong position among social media platforms in the supply of display advertising services, with advertising on Facebook and Instagram an important way for advertisers to reach potential customers.

3.6.4. Potential harms arising from Meta's position in display advertising

The ACCC considers that Meta has a strong position among social media platforms in the supply of display advertising services, which is closely related to its significant market power in social media services.

Where a strong position in relation to the supply of advertising services is related to a high degree of market power and a lack of effective competitive constraints, as discussed above, this can raise prices to advertisers and/or lower the quality of services being provided, and give rise to exclusionary or exploitative conduct. Ultimately, this impacts consumers where higher advertising costs are passed on from advertisers to consumers. It may also impact advertisers and consumers where it results in negative impacts on competition in related markets.

⁵¹⁹ Source: ACCC analysis of Sensor Tower data (Pathmatics). This analysis is based on advertising spend data by a select number of Australian advertisers and brands. The analysis involved a screening of Pathmatics data to only capture changes in advertising spend by a select number of Australian-based advertisers and brands during a 30-day period in which the Facebook advertising boycott took place in the US (July 2020). Pathmatics advertising spend data was not verified with each of the advertisers or brands that formed part of this analysis.

⁵²⁰ See, for example, H Murphy, '[Brands call on social media company to moderate content and open up access to ad metrics](#)', *Financial Times*, 2 July 2020; Anti-Defamation League, '[Stop Hate for Profit](#)', accessed 14 March 2023.

⁵²¹ K Wagner, '[A Facebook ad boycott is gaining steam, but small business can't just quit the social media giant so easily](#)', *Financial Post*, 24 June 2020, accessed 14 March 2023.

⁵²² ACCC, '[Digital Platforms Inquiry Final Report](#)', 26 July 2019, p 9.

⁵²³ UK Competition and Markets Authority, '[Completed acquisition by Facebook, Inc \(now Meta Platforms, Inc\) of Giphy, Inc. Final Report](#)', 30 November 2021, p 11.

The concerns with transparency for advertisers discussed in chapter 2 do not appear to be closely related to a lack of effective competition, however, the ACCC notes that transparency concerns may be exacerbated by weak competition for advertisers.

As outlined in section 3.5.2, the ACCC is closely monitoring overseas investigations relating to Meta's market power. This includes investigations in relation to advertising services. The UK Competition and Markets Authority and European Commission investigations, as discussed in section 3.5.2 above, are also considering the impact that Meta's conduct has had on competition in digital advertising. The ACCC also notes a class action by advertisers against Meta in the US, which alleges that:

- Meta increased the price of advertising across several cost metrics year-on-year in the early 2010s, which coincided with an increase in the ad load shown to users. The complaint claims that this is evidence of monopoly power in relation to advertising.
- Meta has a significant data advantage which acts a barrier to entry that has allowed it to establish and protect a monopolist position in social advertising. The complaint alleges a series of misleading, illegal and anti-competitive conduct contributed to this data advantage, which cannot be justified for technical or legitimate commercial reasons.
- Meta harmed competition by excluding actual and potential competitors from the market, and that the ability of rivals to compete or new entrants to join the market had the effect of harming consumer welfare and allowing Facebook to raise advertising prices without sacrificing demand.⁵²⁴

As a result, the claim alleges the following harms:

- exclusion of actual and potential competitors from the market
- reduction of consumer choice and welfare, by virtue of the inability of rivals to compete on non-price bases, or for new entrants to join the market
- raising of prices without sacrificing demand from advertisers.⁵²⁵

3.7. Targeted measures to promote competition

The ACCC continues to support the recommendations in the Regulatory Reform Report, and is continuing to monitor overseas developments and the implementation of measures that aim to promote competition between digital platforms.

Recommendation 3 of the Regulatory Reform Report recommends the introduction of additional competition measures to protect and promote competition in markets for digital platform services. These could be implemented through a new power to make mandatory codes of conduct for 'designated' digital platforms based on principles set out in legislation.

⁵²⁴ [Amended Consolidated Advertiser Class Action Complaint](#), Klein v Meta Platforms, Inc., 12 September 2022.

⁵²⁵ [Amended Consolidated Advertiser Class Action Complaint](#), Klein v Meta Platforms, Inc., 12 September 2022.

In the context of social media services, this could involve a code for social media services, containing targeted obligations based on the legislated principles for designated platforms, which the ACCC recommends should focus on promoting:

- competition on the merits
- informed and effective consumer choice
- fair trading and transparency for users of digital platforms.

Recommendation 4 of that report recommends that the framework for mandatory service-specific codes for Designated Digital Platforms should support targeted obligations based on legislated principles to address, as required in social media services:

- anti-competitive self-preferencing
- anti-competitive tying
- exclusive pre-installation and default agreements that hinder competition
- impediments to consumer switching
- impediments to interoperability
- data-related barriers to entry and expansion, where privacy impacts can be managed
- a lack of transparency
- unfair dealings with business users
- exclusivity and price parity clauses in contracts with business users.

The codes should be drafted so that compliance by Designated Digital Platforms with their obligations can be assessed clearly and objectively. Obligations should be developed in consultation with industry and other stakeholders and targeted at the specific competition issues relevant to the type of service to which the code will apply. The drafting of obligations should consider any justifiable reasons for the conduct (such as necessary and proportionate privacy or security justifications).

These recommendations are under consideration by the Australian Government.⁵²⁶ These recommendations are also broadly in line with the obligations set out in the Digital Markets Act in Europe.

The Digital Markets Act in Europe seeks to address market power and competition issues in relation to social media services, including by imposing obligations that relate to:

- prohibiting a platform from self-preferencing its own products and services in ranking compared to the products and services of third parties
- the use of personal data
- prohibiting a platform from using the data of business users to compete against them
- ensuring transparency on performance in advertisement intermediation
- ensuring data portability for end users
- providing access to data generated by users of business users.⁵²⁷

⁵²⁶ The Treasury of the Australian Government, [Digital Platforms – Consultation on Regulatory Reform](#).

⁵²⁷ EU Digital Markets Act. Based on [text adopted by the European Parliament and Council published 18 July 2022](#).

The UK Competition and Markets Authority recommends that the Digital Markets Unit be given powers to mandate interoperability in relation to Facebook. Mandated interoperability could:

- ensure other social media platforms can interoperate with Facebook’s services, including use of the Facebook Graph API
- increase users’ ability to interact with consumers active on other platforms (including by allowing users to find Facebook connections on other platforms and invite them to that platform, and through cross-posting).⁵²⁸

In January 2021, new provisions of the German Competition Act came into effect. The provisions enable Germany’s competition authority, the Bundeskartellamt, to designate platforms of ‘paramount significance for competition across markets’ through criteria such as having a dominant position in one or more markets, financial strength, vertical integration and activities on related markets, and/or access to data relevant for competition. The Bundeskartellamt may then ‘activate’ certain prohibitions to prevent these platforms from engaging in anti-competitive practices.

These practices include impeding competitors by treating their offers differently from the platform’s own offers when providing access to supply and sales markets, creating or raising barriers to entry by using data obtained from the opposite side of a dominated market, making the interoperability of products or services or data portability more difficult, or using tying or bundling offers to rapidly expand its position in a market.⁵²⁹

On 2 May 2022, the Bundeskartellamt designated Meta as a platform that has paramount significance across for competition across markets.⁵³⁰

The ACCC continues to closely monitor overseas developments and the implementation of measures that aim to promote competition among digital platforms, including social media platforms.

⁵²⁸ UK Competition and Markets Authority, [Online platforms and digital advertising market study, Appendix W: assessment of pro-competition interventions in social media](#), 3 July 2019.

⁵²⁹ Bundeskartellamt, [Control of abusive practices](#), accessed 14 March 2023.

⁵³⁰ Bundeskartellamt, [Case summary: Meta’s paramount significance for competition across markets](#), 2 May 2022.

4. Harms to consumers and small business

Key findings

- Scams on social media platforms continue to be of significant concern. If accepted by the Government, the recommendations made in the ACCC's Regulatory Reform Report for mandatory processes to prevent and remove scams, would, in conjunction with the future work of the National Anti-Scam Centre, better address harmful scam conduct.
- Excessive data collection and data use by social media platforms can result in consumer harm, particularly for children and vulnerable groups, whose data may be used to target them with inappropriate advertising.
- The use of dark patterns by social media platforms can make it difficult for users to express their actual preferences, or nudge users to take certain actions that may not be in their best interests.
- A lack of transparency in social media advertising, including the inability of parents to review the advertisements served to children, can result in young people being exposed to inappropriate material.
- Other consumer harms arising from the use of algorithms by social media platforms have been identified, including the potential for manipulation of users and user responses, and the creation of 'echo chambers' for users who spend time engaging with potentially harmful conduct.

This chapter examines a range of consumer harms that may arise on social media platforms. Many of the issues explored have been considered in previous ACCC reports, including the Digital Platforms Inquiry Final Report released in July 2019 and the Regulatory Reform Report released in November 2022. This chapter expands on previous findings, providing further examples and evidence of consumer harms that we consider are best addressed by the ACCC's consumer recommendations made in the Regulatory Reform Report:

Recommendation 1 covered the ACCC's economy-wide consumer measures. The ACCC continues to recommend the introduction of new and expanded economy-wide consumer measures, including an economy-wide prohibition against unfair trading practices.

Recommendation 2 covered the ACCC's digital platform specific consumer measures. The ACCC recommends additional targeted measures to protect users of digital platforms, which should apply to all relevant digital platform services, including:

- Mandatory processes to prevent and remove scams, harmful apps and fake reviews including:
 - a notice-and-action mechanism
 - verification of certain business users
 - additional verification of advertisers of financial services and products

- improved review verification disclosures
- public reporting on mitigation efforts.
- Mandatory internal dispute resolution standards that ensure accessibility, timeliness, accountability, the ability to escalate to a human representative and transparency.
- Ensuring consumers and small business have access to an independent external Digital Ombuds Scheme.

We acknowledge that a range of issues identified in this chapter go beyond the remit of the ACCC and the *Competition and Consumer Act 2010* (Cth). The ACCC has engaged with other areas of government during this report process, and the following chapter highlights the current work being undertaken across government to better understand and address those issues. This includes work being undertaken by the Digital Platform Regulators Forum (DP-REG), comprising the ACCC, the Australian Communications and Media Authority (ACMA), the Office of the Australian Information Commissioner (OAIC) and the Office of the eSafety Commissioner (eSafety).

DP-REG was established in 2022 as an avenue for Australian regulators to share information about, and collaborate on, intersecting activities relating to the regulation of digital platforms. This includes consideration of how competition, consumer protection, privacy, online safety and data issues intersect.

Further detail on the relevant work being undertaken by DP-REG is in Appendix A.

A number of parliamentary inquiries have also considered similar issues, including a completed inquiry by the House Select Committee on Social Media and Online Safety and an ongoing inquiry on the influence of international digital platforms by the Senate Standing Committee on Economics.⁵³¹

While some of the issues identified in this chapter may be more prevalent on platforms with larger user numbers, the ACCC considers that any future obligations on social media platforms to better protect consumers and small business users should be applicable to all platforms operating in Australia. This is because most of the identified harms are either currently applicable to multiple platforms, or there is an identified need to address the harm at an industry level and to avoid bad actors merely switching between platforms.

This chapter is structured as follows:

- **Section 4.1** discusses scams, misleading or fake reviews and fake accounts.
- **Section 4.2** considers unfair trading practices, including excessive data collection and the use of dark patterns.
- **Section 4.3** discusses advertising to consumers, including harms arising from targeted advertising, lack of transparency, advertising of age-restricted products and consideration of current age verification efforts.
- **Section 4.4** examines issues with dispute resolution.
- **Section 4.5** provides an overview of disinformation and misinformation.
- **Section 4.6** considers the harms arising from the use of algorithms.

⁵³¹ House of Representatives Select Committee on Social Media and Online Safety, *Social Media and Online Safety*, March 2022; Senate Standing Committee on Economics, *Influence of International Digital Platforms Inquiry*, Terms of reference, accessed 17 January 2023.

4.1. Consumer harms

4.1.1. Scams

Australian consumers and businesses are increasingly experiencing losses to scams on social media. In 2022, Australians reported losses of over A\$80 million to scams delivered via social networking sites. This is up from reported losses of A\$56 million in 2021 and A\$27 million in 2020.⁵³² The actual sum of money lost to scams is likely much higher, given estimates that only 13% of scam victims report their experience to Scamwatch.⁵³³

Platforms that host or otherwise act as intermediaries between scammers and their victims are in a unique position to identify and stop scams, and as highlighted in the Regulatory Reform Report, the ACCC considers they could do more to protect consumers.⁵³⁴

Multiple stakeholders provided views on the need to do more regarding scam prevention, monitoring, and removal requirements for platforms.⁵³⁵ This includes calls for a coordinated response to scams, with a consistent approach to scam categorisation to allow for centralised data aggregation and reporting. Intelligence sharing should be a critical part of preventing scams, ensuring all industry participants have instant and equal access to critical information to enable an ecosystem-wide response.⁵³⁶ As discussed in box 4.1, the establishment of a National Anti-Scam Centre will seek to achieve this through its 3 key functions of coordination, education and intelligence sharing.

⁵³² Scamwatch, [Scam statistics](#), accessed 27 January 2023.

⁵³³ ACCC, [Targeting scams: report of the ACCC on scam activity 2021](#), 4 July 2022, p 17.

⁵³⁴ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 9.

⁵³⁵ ADMA, [Submission to the Report](#), 12 October 2022; ACCAN, [Submission to the Report](#), 12 October 2022; Free TV, [Submission to the Report](#), 12 October 2022; AusPayNet, [Submission to the Report](#), 12 October 2022.

⁵³⁶ AusPayNet, [Submission to the Report](#), 12 October 2022, p 4.

Box 4.1: Establishment of the new National Anti-Scam Centre

In October 2022 the Government announced the allocation of seed funding to the ACCC for the establishment of a National Anti-Scam Centre. The seed funding allows the ACCC to commence preparatory planning work and to seek further funding in the May 2023 budget. Subject to further funding, the National Anti-Scam Centre will have 3 key functions:

- **Coordinate activities and facilitate partnerships, bringing the private sector experts and regulators together to take coordinated action to combat scams.** The National Anti-Scam Centre will complement the work of cyber security agencies and the fraud prevention work of the Commonwealth, with a focus on scams. Taking a consumer centred approach, it will focus on conduct that uses digital platforms, telcos or the financial system to deceive individuals to hand over information or money.
- **Provide education and victim support that delivers widespread consistent messaging to empower the public to avoid scams.** The National Anti-Scam Centre will plan and promote collaborative education through multiple channels, networks and forums and improve victim support to limit losses where possible and prevent further victimisation. Regular information on emerging scams will be disseminated through consumer, industry and government networks.
- **Real time intelligence sharing and collaborative disruption via partner organisations. Involves an IT/digital build that gathers, assesses, and disseminates scam data to those that can undertake disruption and remedial activity on a near-real time basis.** The National Anti-Scam Centre will connect reporting mechanisms across key stakeholders underpinned by Code obligations to share information, support victims and remove/block scams.

The government is currently consulting with stakeholders, seeking input on the function and role of the National Anti-Scam Centre.

The future work of the National Anti-Scam Centre, in conjunction with mandatory processes to prevent and remove scams applicable to all relevant digital platform services as recommended in the Regulatory Reform Report, will seek to address a number of the concerns identified in this section.

The ACCC's Targeting Scams 2021 Report highlights a significant increase in investment scams, noting combined losses in 2021 of A\$701 million, a 135% increase on 2020. Cryptocurrency investment scams were the main category of investment scams contributing to this growth, with 2021 reported losses of A\$99 million, a 270% increase on 2020.⁵³⁷ These types of investment scams have been found to commonly originate on social media or online dating apps or sites.⁵³⁸ 2022 saw a rise in recruitment scams in Australia, with more than 3,194 reports of job scams resulting in losses of over A\$8.7 million.⁵³⁹ Scamwatch reports indicate many of these false job offers are made through social media platforms or messaging services such as WhatsApp. These offers promise that new recruits will made money quickly, and often ask for a payment in exchange for a guaranteed income.⁵⁴⁰

⁵³⁷ ACCC, [Targeting scams: report of the ACCC on scams activity 2021](#), 4 July 2022.

⁵³⁸ US Federal Trade Commission, [What to know about cryptocurrency and scams](#), accessed 10 January 2023.

⁵³⁹ ACCC, [New year, new job? Beware of scammers](#), 3 January 2023, accessed 27 January 2023.

⁵⁴⁰ ACCC, [New year, new job? Beware of scammers](#), 3 January 2023, accessed 27 January 2023.

Free TV Australia noted the current takedown processes of the platforms are inadequate, and fake advertisements often quickly reappear after they are taken down. Scam advertisements can damage the business reputations of broadcasters, as well as the personal reputations of celebrities and media personalities that are often misrepresented.⁵⁴¹ Free TV provided the following examples of scam advertisements on Meta platforms:

- Georgie Gardner’s image (Channel 9 news presenter) was used on Facebook suggesting she endorsed the ‘Mayan Diamonds’ game app.⁵⁴²
- A fake Instagram account for Alison Landon (Channel 9 Morning Show host) encouraged individuals to enter a fake competition to win money. When an individual sought to register for the competition, the link took them to a page requesting their bank account details.⁵⁴³
- David Koch’s image (Channel 7 Sunrise host) was used on Facebook as part of a series of fake celebrity endorsements to lure users to invest in scam cryptocurrency schemes.⁵⁴⁴

Despite these examples, the ACCC notes that Meta has responded swiftly to remove content violating its policies in other instances. For example, in January 2023 Meta removed 51 scam investment advertisements featuring photoshopped images of Australian Prime Minister Anthony Albanese.⁵⁴⁵

The ACMA notes online scams are a growing area of concern. The ACMA has registered new rules requiring telecommunication providers to identify, trace and block scam calls and text messages.⁵⁴⁶ These rules have resulted in over 955 million blocked scam calls from December 2020 to December 2022, almost 90 million blocked scam SMS from July to December 2022 and a significant drop in complaints.⁵⁴⁷ The ACMA has submitted, however, that there is strong evidence that scammers continue to pivot to social media services and online messaging services to run scams.⁵⁴⁸ The ACCC is working closely with the ACMA on phone scam reduction initiatives, including via the Scam Telco Action Taskforce and supports the ACMA’s suggestion for work to further explore the relationship between phone and online channels used by scammers and the potential introduction of scam disruption measures on social media platforms.⁵⁴⁹

4.1.2. Misleading or fake reviews

Fake ratings and reviews, and the manipulation of ratings and reviews, have the potential to harm both consumers and businesses. The high volume of consumer activity on digital platforms and the relative speed and ease with which reviews and ratings can be published increases the degree of harm posed by fake reviews.

⁵⁴¹ Free TV, [Submission to the Report](#), 12 October 2022, pp 8–11.

⁵⁴² Free TV, [Submission to the Report](#), 12 October 2022, p 8.

⁵⁴³ Free TV, [Submission to the Report](#), 12 October 2022, p 9.

⁵⁴⁴ Free TV, [Submission to the Report](#), 12 October 2022, pp 10–11.

⁵⁴⁵ The Guardian, [Scam Facebook ads using fake images of PM Albanese being ‘arrested’ removed from site](#), 10 January 2023, accessed 27 January 2023.

⁵⁴⁶ ACMA, [New rules to fight SMS scams](#), 12 July 2022, accessed 27 January 14 March 2023.

⁵⁴⁷ ACMA, [Action on scams, spam and telemarketing: October to December 2022](#), accessed 14 March 2023.

⁵⁴⁸ ACMA, [Submission to the Report](#), 12 October 2022, p 1

⁵⁴⁹ ACMA, [Submission to the Report](#), 12 October 2022, p 2.

This issue is explored further in the Regulatory Reform Report where the ACCC recommended digital platforms be required to implement processes to prevent and remove fake reviews on their services.⁵⁵⁰

4.1.3. Fake accounts

As noted in the Regulatory Reform Report, fake accounts are one way that scammers and other bad actors target their potential victims.⁵⁵¹ The inflation of user numbers and post views through fake accounts, discussed further in section 2.2.2, can make it difficult for consumers to identify scam content.

Meta, TikTok and Snap all note their ongoing efforts to remove fake accounts:

- Meta’s quarterly Community Standards Enforcement Report notes its use of detection technology to assist it in blocking millions of attempts to create fake accounts every day and detect millions more, often within minutes after their creation.⁵⁵² These reports include the number of actions taken in response to fake accounts each quarter, noting fluctuations in numbers are expected. For example, they removed 1.5 billion fake accounts during Q3 2022, up from 1.4 billion during Q2 2022.
- TikTok notes the action it takes in response to fake accounts, including publicly reporting on the number of fake accounts removed each quarter via its Community Guidelines Enforcement Report. Globally, TikTok removed 50,963,108 fake accounts during Q3 2022, up from 33,632,058 during Q2 2022.⁵⁵³ These reports also note the number of accounts suspected to be under the age of 13 that were removed.
- Snapchat’s bi-annual transparency report notes its enforcement efforts against bad actors. While these reports do not specifically note the number of fake accounts removed, they note the number of enforcement actions taken in response to reports of spam, including either removing the content, or terminating the account in question. Between 1 January 2022 and 30 June 2022, Snapchat took enforcement action against 289,511 accounts for spam activity.⁵⁵⁴

While the ACCC acknowledges the existing efforts of the platforms to detect and remove fake accounts, further work may be required to improve detection efforts due to their prevalence. In Q3 2022, despite its positive efforts to remove fake accounts, Meta estimated that fake accounts represented approximately 5% of its worldwide monthly active users.⁵⁵⁵ The ACCC considers that it is likely other social media platforms are similarly impacted, including on Twitter where it appears uncertainty over the correct number of fake or spam accounts remains.

The prevalence of fake accounts on Twitter was highlighted as a key issue of concern by Elon Musk in May 2022 prior to his acquisition of the company, with estimates that 20% of all accounts could be fake or scam accounts.⁵⁵⁶ At the time, Musk stated his offer to acquire Twitter for US\$44 billion was based on Twitter’s filing to the US Securities and Exchange Commission that only about 5% of the accounts it sells advertisements against

⁵⁵⁰ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 10.

⁵⁵¹ ACCC, [Digital Platform Services Inquiry Regulatory Reform Report](#), 11 November 2022, p 73.

⁵⁵² Meta, [Community Standards Enforcement Report](#), accessed 18 January 2023.

⁵⁵³ TikTok, [Community Guidelines Enforcement Report 1 July 2022 – 30 September 2022](#), 19 December 2022, accessed 24 January 2023.

⁵⁵⁴ Snapchat, [Transparency Report, 1 January 2022 - 30 June 2022](#), 29 November 2022, accessed 18 January 2023.

⁵⁵⁵ Meta, [Community Standards Enforcement Report](#), accessed 18 January 2023.

⁵⁵⁶ Elon Musk, [Tweet](#), *Twitter*, 17 May 2022, accessed 20 February 2023.

are fake.⁵⁵⁷ While Twitter previously published bi-annual Transparency Reports, the last of these reports was for the July – December 2021 period, and these reports did not reference the number of fake or spam accounts Twitter identified and took action in response to.⁵⁵⁸

Concerns regarding Twitter’s capacity to address ongoing trust and safety concerns have been raised, with reports that roughly 5,000 of Twitter’s previous 7,500 employees have been fired or departed the company since Musk acquired Twitter in October 2022, impacting Twitter’s capacity to adequately address issues such as fake accounts.⁵⁵⁹

4.2. Unfair trading practices

There are a range of unfair trading practices that currently fall outside of the Australian Consumer Law (ACL). The ACCC has previously identified concerns about potential harms to users of digital platform services, including choice architecture that exploits consumers’ behavioural biases and undermines consumer choice.⁵⁶⁰

The ACCC has concerns about unfair trading practices on social media platforms as they often require users to agree to onerous contract terms in order to access their services. This may leave consumers vulnerable to harms arising from extensive data collection and dark patterns, discussed below.

We envisage any unfair trading practice prohibition would address problematic conduct arising from power imbalances which is currently unlikely to breach the ACL.⁵⁶¹

4.2.1. Data collection and use

The ACCC has previously identified that the extent of collection, use and disclosure of data by platforms often does not align with consumer preferences.⁵⁶² This can leave consumers open to various risks and harms, including reduced privacy and security, increased profiling which can be used to manipulate consumers, increased risk of discrimination and exclusion, increased risks for vulnerable consumers and children who may be more easily identified and targeted, and reduced choice and quality of services.⁵⁶³

Multiple stakeholders continue to raise concerns about how social media platforms collect, exploit and disclose large amounts of users’ personal information, echoing previous ACCC findings that misuse of this data can lead to significant detriment for

⁵⁵⁷ AP News, [SEC questions Twitter on how it counts fake accounts](#), 25 August 2022, accessed 20 February 2023.

⁵⁵⁸ Twitter, [Transparency](#), accessed 20 February 2023.

⁵⁵⁹ Fortune, [Twitter cuts workers addressing hate speech and trust and safety as Elon Musk’s chaotic revamp continues](#), 8 January 2023, accessed 20 February 2023.

⁵⁶⁰ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 7.

⁵⁶¹ ACCC, [Digital Platform Services Inquiry, Regulatory Reform Report](#), 11 November 2022, p 54.

⁵⁶² ACCC, [Digital Platforms Inquiry Final Report](#), 26 July 2019, pp 382–385, 389–390; ACCC, [Digital Platform Services Inquiry, Report on Online Private Messaging Services](#), 23 October 2020, p 52; ACCC, [Digital Platform Services Inquiry, Report on App Marketplaces](#), 28 April 2021, pp 11, 136–138; ACCC, [Digital Platform Services Inquiry, Report on General Online Retail Marketplaces](#), 28 April 2022, pp 32–40.

⁵⁶³ ACCC, [Digital Platform Inquiry Final Report](#), 26 July 2019, pp 444–448; ACCC, [Ad Tech Inquiry Final Report](#), 28 September 2021, p 40; ACCC, [Digital Platform Services Inquiry, Report on Online Private Messaging Services](#), 23 October 2020, p 55, Appendix D; ACCC, [Digital Platform Services Inquiry Regulatory Reform Report Discussion Paper](#), 28 February 2022, pp 44–45.

vulnerable consumers.⁵⁶⁴ The use of third-party trackers by websites make it difficult to know who is tracking data, what information is being collected or how that data will be used.⁵⁶⁵ The Attorney-General's Department has recently published a report on its review of the Privacy Act, which includes consideration of data collection practices on social media platforms. The ACCC considers that an unfair trading practices prohibition could potentially supplement changes arising from this review to help address harms that remain outside the scope of privacy law and the existing consumer law.

Box 4.2: Privacy Act Review

Following the ACCC's recommendations in the DPI Final Report, a review of the Privacy Act was announced in December 2019. The review was led by the Attorney-General's Department and involved extensive stakeholder consultation on a range of proposals being considered.⁵⁶⁶

The Government released the Privacy Act Review Report on 16 February 2023. The Report proposed a requirement that the collection, use or disclosure of personal information to be fair and reasonable in the circumstances, and a set of legislated factors relevant to whether a collection, use or disclosure is fair and reasonable in the circumstances.⁵⁶⁷ There was strong stakeholder support for these proposals.⁵⁶⁸

These proposed legislated factors could include that for personal information relating to a child, use or disclosure must be in the best interests of the child. Further detail on these proposals is provided in Appendix A.

In its submission to the Privacy Act Review, the ACCC recommended that the OAIC develop guidance material to elaborate on any additional protections for children.⁵⁶⁹ Details of what this guidance should contain, at a minimum, are set out in Appendix A.

The Senate Standing Committee on Economics is also conducting an inquiry into the influence of international digital platforms, with a report due by the end of 2023. Under the terms of reference, this inquiry is also examining the collection and processing of children's data, particularly for the purposes of profiling, behavioural advertising, or other uses.⁵⁷⁰ The ACCC anticipates this report may make recommendations that complement the Privacy Act Review to strengthen Australia's data protection regime.

The ACCC and the Irish Data Protection Commission have both previously taken enforcement action against Meta following concerns over the way it collected customers' personal information. Further detail is at boxes 4.3 and 4.4 below.

⁵⁶⁴ ACCAN, [Submission to the Report](#), 12 October 2022; Dietitians Australia, [Submission to the Report](#), 12 October 2022; Obesity Policy Coalition, [Submission to the Report](#), 12 October 2022; Cancer Council Australia, [Submission to the Report](#), 12 October 2022.

⁵⁶⁵ UR: Genius, [New research across 200 iOS apps hints that surveillance marketing is still going strong](#), 20 January 2022, accessed 14 March 2023.

⁵⁶⁶ Attorney-General's Department, [Privacy Act Review – Discussion paper](#), accessed 24 January 2023.

⁵⁶⁷ Attachment A of the Final Report includes details on the on the consultation to the review, including a list of submitters and stakeholders. See Attorney-General's Department, [Privacy Act Review – Report 2022](#), accessed 23 February 2023.

⁵⁶⁸ Attorney-General's Department, [Privacy Act Review – Discussion paper](#), accessed 24 January 2023. See, for example, discussion paper submissions by ACCAN, Monash, Consumer Policy Research Centre, DIGI, OAIC, Meta and ; Snap Inc..

⁵⁶⁹ ACCC, [Privacy Act Review Discussion Paper Submission](#), p 3.

⁵⁷⁰ Parliament of Australia, Senate Standing Committee on Economics, [Influence of International Digital Platforms, Terms of reference](#), accessed 14 March 2023.

Box 4.3: Case study – Facebook Onavo

In December 2020, the ACCC filed proceedings against Meta Platforms Inc. (then Facebook Inc.), and its subsidiaries, Onavo Inc. and Facebook Israel Ltd for alleged false, misleading or deceptive conduct when promoting the Onavo Protect mobile VPN app to consumers.

The ACCC alleges that Meta Platforms Inc., Onavo Inc. and Facebook Israel misled Australian consumers by representing that the Onavo Protect app would keep users' personal activity data private, protected and secret, and that the data would not be used for any purpose other than providing Onavo Protect's products. In fact, the ACCC alleges, Onavo Protect collected, aggregated and used significant amounts of users' personal activity data for Meta Platform Inc.'s commercial benefit. This included details about Onavo Protect users' internet and app activity, such as records of every app they accessed and the number of seconds each day they spent using those apps.

These proceedings are ongoing.⁵⁷¹

Box 4.4: Case study – Meta's breach of the General Data Protection Regulation

In January 2023, the Irish Data Protection Commission fined Meta €390 million (A\$606 million) after it found it had illegally forced users to effectively accept personalised advertisements. Meta's terms of service agreement must be accepted by users before they can access services such as Facebook, Instagram and WhatsApp. EU authorities determined that placing the legal consent within terms of services essentially forced users to accept personalised advertisements, violating the General Data Protection Regulation (GDPR).⁵⁷²

This action by the Irish Data Protection Commission is evidence that Meta's use of 'take it or leave it' service agreements not only breaches the EU's GDPR requirements, but do not align with consumer expectations regarding the collection and use of their personal information. It also demonstrates the continued need for privacy reform in Australia through the ongoing Privacy Act Review.

Potential security concerns with data collection

In March 2023 it was reported that the Biden administration is demanding that TikTok's Chinese owner ByteDance sell their stakes in the app or face a possible US ban. Reports indicate that this demand for sale was made by the US Committee on Foreign Investments, which oversees national-security risks in cross-border investments.⁵⁷³

In January 2023 TikTok was banned on US Federal Government devices over national security concerns about the app's China-based owner, ByteDance.⁵⁷⁴ As at late January 2023, nearly half of all US states have also banned its use on state-owned devices.⁵⁷⁵

⁵⁷¹ ACCC v Facebook Inc, [Concise Statement](#), Federal Court of Australia, NSD1339/2020, 16 December 2020. Onavo Protect was a free downloadable software application providing a virtual private network service.

⁵⁷² Data Protection Commission, [Data Protection Commission announces conclusion of two inquiries into Meta Ireland](#), 4 January 2023, accessed 14 March 2023.

⁵⁷³ The Wall Street Journal, [US threatens ban if TikTok's Chinese owners don't sell stakes](#), 15 March 2023, accessed 20 March 2023.

⁵⁷⁴ Council on Foreign Relations, [The US Government banned TikTok from federal devices. What's next?](#) 13 January 2023, accessed 1 March 2023.

⁵⁷⁵ AP News, [Explainer: University of Wisconsin latest to ban TikTok](#), 25 January 2023, accessed 1 March 2023.

Similar bans on government-issued devices have been announced in Canada⁵⁷⁶ as well as the European Parliament, European Commission and EU Council.⁵⁷⁷ As at early March 2023, a number of Australian Government departments and agencies have banned TikTok on work-issued devices.⁵⁷⁸ These concerns have generally related to the risk of personal user data collected by TikTok being accessed by a foreign government. One stakeholder also raised concerns about this issue in its submission to this Inquiry.⁵⁷⁹

Media reports indicate a Chinese-based team at TikTok's parent company ByteDance used the app to monitor the personal location of 3 US journalists via location information from their IP addresses. In October 2022, Forbes reported on the existence of a surveillance scheme which targeted 3 of its journalists.⁵⁸⁰ In response, TikTok tweeted that the app had 'never been used to "target" any members of the US Federal Government, activists, public figures or journalists.'

In 2020, India permanently banned TikTok along with more than 50 other Chinese apps, citing concerns over national security.⁵⁸¹ In July 2018, Indonesia temporarily banned TikTok over concerns the app contained 'pornography, inappropriate content and blasphemy.'⁵⁸²

The Department of Home Affairs in Australia is currently investigating the data collection practices of social media platforms, including those of TikTok, following growing concerns that staff in China can access the personal information of Australians.⁵⁸³ The Department will provide the Minister for Home Affairs with a briefing in 2023 on a range of options available.⁵⁸⁴ The Select Committee on Foreign Interference through Social Media is also due to present its report on the risk posed to Australia's democracy by foreign interference through social media, including through the spread of misinformation and disinformation, by 1 August 2023.⁵⁸⁵

4.2.2. Dark patterns

Dark patterns are elements of user interfaces which have been designed to make it difficult for users to express their actual preferences, or which nudge users to take certain action that may not be in their best interests.⁵⁸⁶

⁵⁷⁶ Reuters, [Canada bans TikTok from government devices citing security risks](#), 28 February 2023, accessed 1 March 2023.

⁵⁷⁷ Reuters, [European Parliament latest EU body to ban TikTok from staff phones](#), 1 March 2023, accessed 1 March 2023.

⁵⁷⁸ Australian Financial Review, [TikTok banned by 25 government departments and agencies](#), 6 March 2023, accessed 6 March 2023.

⁵⁷⁹ ABC, [Submission to the Report](#), 12 October 2022, p 4.

⁵⁸⁰ Forbes, [TikTok parent ByteDance planned to use TikTok to monitor the physical location of specific American citizens](#), 20 October 2022, accessed 14 March 2023.

⁵⁸¹ India Today, [After ban, TikTok now stops working in India and shows internet error](#), 1 July 2020, accessed 14 March 2023.

⁵⁸² Reuters, [Indonesia bans Chinese video app TikTok for 'inappropriate content'](#), 4 July 2018, accessed 14 March 2023.

⁵⁸³ Sydney Morning Herald, [Home Affairs to review data harvesting by TikTok and WeChat](#), 4 September 2022, accessed 14 March 2023.

⁵⁸⁴ Sydney Morning Herald, [Home Affairs to review data harvesting by TikTok and WeChat](#), 4 September 2022, accessed 14 March 2023.

⁵⁸⁵ Parliament of Australia, [Select Committee on Foreign Interference through Social Media](#), accessed 24 February 2023.

⁵⁸⁶ ACCC, [Digital Platform Services Inquiry, Report on Search Defaults and Choice Screens](#), 28 October 2021, p 3.

As noted in the OECD's October 2022 Dark commercial patterns paper:

In addition to impairing autonomy, some dark patterns, such as drip pricing and subscription traps, can cause substantial financial loss. Others may cause significant privacy harms or psychological detriment. They may also harm consumers collectively, by weakening competition and sowing distrust, and disproportionately harm certain consumers such as less educated consumers or children. While there is not yet evidence suggesting that dark patterns triggering personal vulnerabilities are common, this may change with businesses' increasing data collection combined with machine learning techniques.⁵⁸⁷

Plaintiffs of current US proceedings claim that social media platforms such as Facebook, Instagram, Snapchat, TikTok and YouTube are defective as they are designed to maximise screen time, which can encourage harmful addictive behaviour in adolescents.⁵⁸⁸ The case is discussed further at section 4.6. Examples of dark patterns on social media designed to prolong the amount of time a user spends on them, allowing the platform to collect more personal data about the user,⁵⁸⁹ include:

- Platforms such as Facebook, Instagram and TikTok encourage endless scrolling or streaming of content by users, facilitated by feeds that auto-refresh or auto-play content (see figure 4.1 below).
- Features such as 'like' buttons, which take advantage of a user's desire for social validation, and gamification elements such as Snapchat's 'streaks' feature, which publicly keeps track of how many days in a row you've used the app (see figure 4.2).⁵⁹⁰

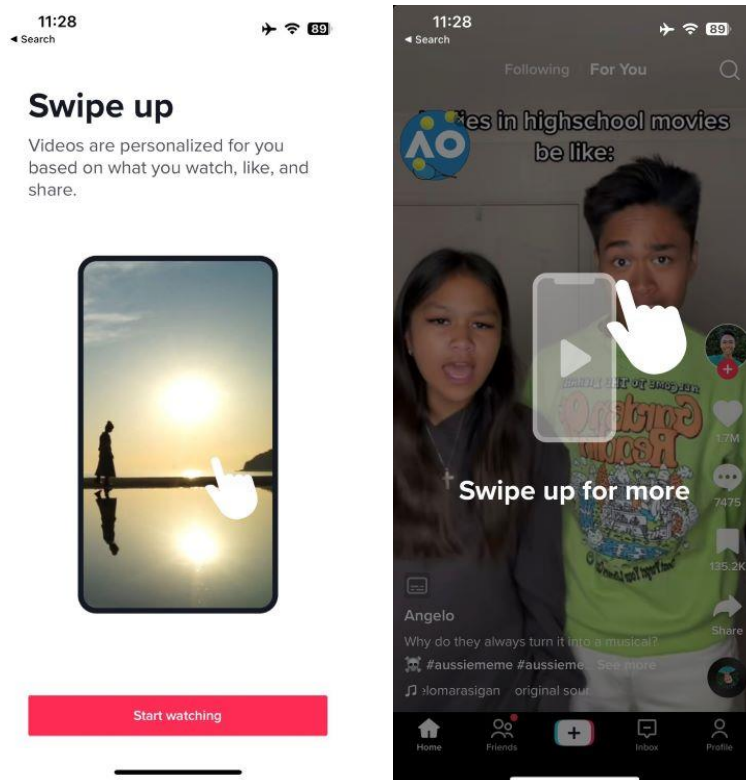
⁵⁸⁷ OECD, [Dark commercial patterns: OECD Digital Economy Papers](#), October 2022, No. 336.

⁵⁸⁸ Northern District Court of California, [In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation](#), 11 October 2022.

⁵⁸⁹ J Montag et al, [Addictive features of social media/messenger platforms and freemium games against the background of psychological and economic theories](#), July 2019.

⁵⁹⁰ C Price, [Trapped - the secret ways social media is built to be addictive \(and what you can do to fight back\)](#), BBC, published 29 October 2018, accessed 14 March 2023..

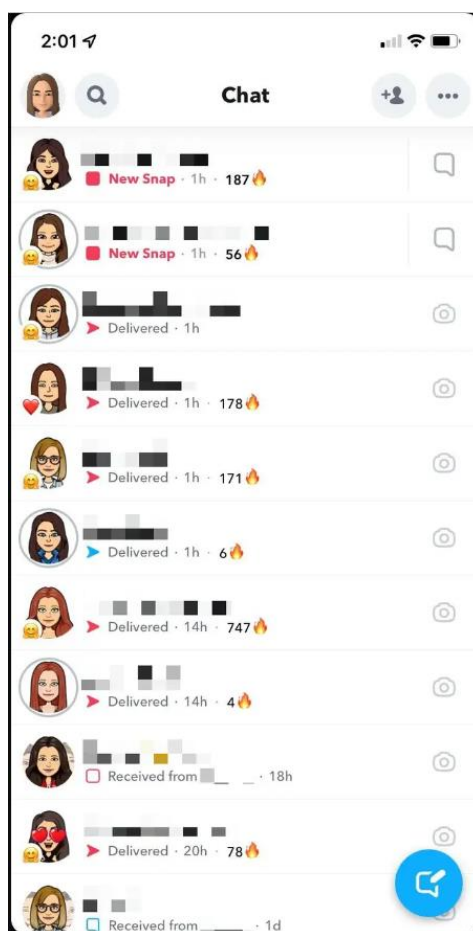
Figure 4.1: Swipe up feature



When first using the TikTok app, users are presented with the above instructional screen instructing them to swipe up to access more content.⁵⁹¹

⁵⁹¹ TikTok screenshots taken by the ACCC – as at 17 January 2023.

Figure 4.2: Snapstreak feature



The flame symbol indicates that 2 users are on a Snapstreak, meaning that those users have Snapped each other within 24 hours for more than 3 consecutive days. The number next to the symbol indicates how many days users have been on a Snapstreak.⁵⁹²

The ACCC acknowledges TikTok's recent introduction of a default setting limiting teenagers joining TikTok to 60 minutes of screentime per day. However, the ACCC notes that once this time limit has been reached, the only intervention is a pop-up appearing in the app which notifies the user they have exceeded 60 minutes and gives the user the option to continue. Furthermore, this 60 minute time limit default setting can easily be turned off. If a teenage user spends more than 100 minutes on TikTok a day they will be required to set their own time limit, however this can be easily bypassed by entering a code once reached.⁵⁹³ Instagram has previously introduced voluntary measures designed to encourage users to take a break, including allowing users to opt-in to reminders to take a break once they have spent a certain amount of time in one session on Instagram. These reminders can be easily dismissed if a user wishes to keep using Instagram.⁵⁹⁴

Research conducted by the Consumer Policy Research Centre in 2022 found that 83% of Australians have experienced negative consequences resulting from a website or app using design features aimed at influencing their behaviour. Research participants identified social media as being in the top 5 sectors using dark patterns across their

⁵⁹² Business Insider, [How to start a Snapchat Streak and keep it alive to boost your Snap Score](#), 19 August 2022, accessed 17 January 2023; Snapchat, [How do Snapstreaks work?](#), accessed 17 January 2023

⁵⁹³ Vox, [TikTok isn't really limiting kids' time on its app](#), 2 March 2023, accessed 6 March 2023.

⁵⁹⁴ Instagram Help Centre, [How can I edit reminders to take a break on Instagram?](#) accessed 6 March 2023.

websites and apps. Younger consumers are more negatively impacted by dark patterns; for example, they are 65% more likely to spend more than intended and 34% more likely to create an online account they did not want.⁵⁹⁵

Some stakeholders expressed support for a ‘safety by design’ approach to social media, recommending platforms be required to ensure that interfaces and menus are easy to navigate and allow consumers to act in their best interests. They also support platforms being required to provide consumers with an ability to easily review and adjust privacy settings. This would minimise risks, particularly to children, without shifting additional responsibility to parents.⁵⁹⁶

Box 4.5: Safety by Design

eSafety’s Safety by Design initiative includes voluntary guidance material and tools to assist companies to minimise online threats by anticipating, detecting and eliminating online harms before they occur. The initiative includes a set of principles developed by eSafety in collaboration with industry that position user safety as a fundamental design consideration.⁵⁹⁷

In its March 2022 report, the House Select Committee on Social Media and Online Safety recommended future reviews of the *Online Safety Act 2021* (Cth) take into consideration the implementation of these principles on major digital platforms.⁵⁹⁸ The government will consider this recommendation as part of its planned review, commencing by January 2025.

4.3. Advertising to consumers

4.3.1. Targeted advertising

As previously identified in the DPI Final Report, detailed online profiles about consumers can be used to influence their behaviour, which can cause consumer harm from risks associated with manipulation and loss of autonomy.⁵⁹⁹ There are also benefits to targeted advertising, including economic benefits to small businesses and consumers. As discussed in chapter 2, advertising is the biggest source of revenue for social media platforms and is a critical component of their business models, allowing them to provide consumers with access to services for a zero monetary sum, or at a reduced cost.

Issues associated with data collection and use by platforms, including for the purpose of targeted advertising are discussed above at section 4.2.1. As previously noted, the collection, disclosure and use of personal data in Australia is currently being considered as part of the Privacy Act Review.

⁵⁹⁵ Consumer Policy Research Centre, [Duped by design – Manipulative online design: Dark patterns in Australia](#), June 2022.

⁵⁹⁶ ACCAN, [Submission to the Report](#), 12 October 2022, p 8; ADMA, [Submission to the Report](#), 12 October 2022, p 12; Children & Media Australia, [Submission to the Report](#), 12 October 2022, p 3; AHISA, [Submission to the Report](#), 12 October 2022, p 1.

⁵⁹⁷ eSafety, [Safety by Design, Principles and background](#), accessed 14 March 2023.

⁵⁹⁸ Parliament of Australia, Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, p 115.

⁵⁹⁹ ACCC, [Digital Platforms Inquiry Final Report](#), 26 July 2019, p 445.

4.3.2. Advertisement visibility and observation

The rise of online advertisements, including on social media, has led to a kind of ‘dark advertising’ where advertisements are often only visible to their intended targets, as they disappear moments after they have been seen, and no one except the platforms knows how, when, where or why the ads appear.⁶⁰⁰ This was raised as a concern by some stakeholders, who noted difficulties faced by parents to monitor the material their children are exposed to online.⁶⁰¹

An August 2022 study by Hawker et al evaluated the transparency of advertising on major digital platforms and found they all failed to meet basic transparency criteria. These criteria were developed to evaluate the accessibility and permanency of information about advertisements on platforms and the depth of information provided.⁶⁰² None of the platforms examined offered a comprehensive or permanent advertising archive, meaning once an advertising campaign has ended, there is no way to observe the advertisements that were disseminated. TikTok had no transparency measures at all to allow observation of advertising. While Facebook and Instagram publish a list of all currently active advertisements, records of these advertisements are deleted after the campaign has ended.⁶⁰³

4.3.3. Age-restricted products

Evidence suggests more needs to be done to ensure underage people are not exposed to advertising for age-restricted products. For example, a 2021 study by VicHealth found that advertisements for alcohol and gambling had been served to users under the age of 18.⁶⁰⁴ In a 2018 Victorian study, over half (55%) of children aged 11–16 years old reported seeing gambling advertisements on social media.⁶⁰⁵ As discussed in section 4.3.4 below, the ACCC understands that some underage users may circumvent existing age-verification processes by providing a fake date of birth (identifying them as 18 or older) when creating their social media account.

In November 2022, TikTok announced it will allow some gambling advertisements to run in Australia, despite its advertising policy previously prohibiting gambling advertisements on the platform.⁶⁰⁶ A recent report by VICE indicated the gambling advertisements were

⁶⁰⁰ N Carah et al, [How dark is ‘dark advertising’? We audited Facebook, Google and other platforms to find out](#), 7 September 2022.

⁶⁰¹ ACCAN, [Submission to the Report](#), 12 October 2022, p 13; Children & Media Australia, [Submission to the Report](#), 12 October 2022, p 3; Obesity Policy Coalition, [Submission to the Report](#), 12 October 2022, p 3.

⁶⁰² The study included Facebook, Instagram, Google Search, YouTube, Twitter, Snapchat and TikTok. See K Hawker et al, [Advertisements on digital platforms: how transparent and observable are they?](#), August 2022.

⁶⁰³ The research paper sets out the criterion assessed: firstly, whether a public archive of advertisements is published on the platform. If a public archive is available, the following 8 criteria were then assessed: (1) access to an archive of advertisements, (2) access to a public searchable dashboard, (3) permanency of advertisements in the archive, (4) access to deleted advertisements, (5) ability to extract the advertisements for analysis, (6) information on the advertisements targeting criteria, (7) information on advertisement spend and (8) information on advertisement reach. See K Hawker et al, [Advertisements on digital platforms: how transparent and observable are they?](#), August 2022, p 3.

⁶⁰⁴ Of 54 participants aged 16-17, 67% of them were targeted with alcohol advertisements and 22% with gambling advertisements. See VicHealth, [Dark marketing tactics of harmful industries exposed by young citizen scientists](#), 2021.

⁶⁰⁵ S Thomas et al, [Young people’s awareness of the timing and placement of gambling advertising on traditional and social media platforms: a study of 11–16-year-olds in Australia](#). Harm Reduction Journal. 2018;15(1).

⁶⁰⁶ TikTok’s advertising policies for Australia and New Zealand state advertising for the following categories are prohibited: Ads promoting fantasy sports, bingo or other gambling related content, ads coming from a gambling grand or featuring gambling branding and ads sponsored by gambling brands In Australia a closed pilot for sports betting is currently in operation for one managed client who has obtained permission from TikTok via an application process. See TikTok, [Advertising Policies for Australia and New Zealand](#), accessed 14 March 2023.

viewed by TikTok profiles which had not had their age verified, meaning that it was possible they could be viewed by under-age users.⁶⁰⁷

Social media platforms are currently able to display gambling advertisements to users aged 18 or over. Platforms that do allow gambling advertisements have various policies and processes in place, including:

- Meta’s online gambling and gaming advertising policy which requires advertisers to first request written permission from Meta and to provide evidence that the gambling activities are lawful in the jurisdiction they want to target, which includes Australia.⁶⁰⁸
- Snapchat’s advertising policy limits targeted advertisements for gambling and lottery products to users aged 18 or over.⁶⁰⁹ Snapchat offers filters which allow users to play games and create and send videos or images which feature gambling branding from businesses such as Sportsbet and TAB. Despite its advertising policy, Snap notes users may be able to share the advertisements with other users of any age.⁶¹⁰

⁶⁰⁷ J Buckley, [TikTok will allow some gambling ads to run in Australia](#), *VICE*, 7 November 2022, accessed 14 March 2023.

⁶⁰⁸ Meta, [Online gambling and gaming](#), accessed 10 January 2023.

⁶⁰⁹ Snap Inc., [Advertising Policies](#), accessed 12 January 2023.

⁶¹⁰ Snap Inc., [Minimum Age for Ads](#), accessed 17 January 2023.

Box 4.6: Current oversight of gambling advertisements in Australia

The Broadcasting Services (Online Content Service Provider Rules) 2018 (Cth)

The ACMA administers rules limiting gambling advertisements on TV, radio and online. These rules apply to live coverage of sporting events with stricter rules before 8.30 pm.⁶¹¹

The *Broadcasting Services (Online Content Service Provider Rules) 2018 (Cth)* apply to all online content services that provide live (or near live) coverage of sporting events (unless the service falls within a particular exemption) and includes social media services. These rules prohibit gambling advertising during live sport streamed online between 5.00 am and 8.30 pm, from 5 minutes before the scheduled start of the event until 5 minutes after play. Similar rules apply to television and radio broadcasts via their industry codes of practice. The ACMA also restricts gambling advertising during programs that are rated G or lower on commercial television at certain times.

The ACMA's *What Audiences Want* position paper about audience expectations for contemporary content safeguards noted there are community concerns that existing advertising restrictions about the advertising of a range of products including gambling advertising do not go far enough.⁶¹² The paper also outlined some best practice approaches including targeting restrictions around the quantity, repetition and concentration of advertising for specific products and services that may be harmful.

Several major broadcasting industry bodies have either commenced or recommenced their internal code review processes following the release of the *What Audiences Want* paper. The House of Representatives Standing Committee on Social Policy and Legal Affairs is currently conducting an inquiry into online gambling and its impacts on those experiencing gambling harm. The terms of reference for the inquiry include the effectiveness of existing consumer protections aimed at reducing online gambling harm.⁶¹³

The AANA Wagering Advertising Code

Advertising in Australia is subject to a system of self-regulation, overseen nationally by the Australian Association of National Advertisers (AANA) and Ad Standards which manage consumer complaints about advertising. The AANA Wagering Advertising Code and accompanying Practice Note have been adopted by the AANA and apply to advertising and marketing communication for wagering products and services provided by licenced operators in Australia.⁶¹⁴

Further information on the AANA and the Wagering Advertising Code is in Appendix A.

⁶¹¹ [Broadcasting Services \(Online Content Service Provider Rules\) 2018 \(Cth\)](#).

⁶¹² ACMA, [What audiences want – expectations for content safeguards](#), June 2022.

⁶¹³ Parliament of Australia, Standing Committee on Social Policy and Legal Affairs, Inquiry into online gambling and its impact on those experiencing gambling harm, [terms of reference](#), accessed 21 March 2023.

⁶¹⁴ AANA, [Wagering Advertising Code](#), accessed 16 March 2023.

4.3.4. Age verification

The ACCC acknowledges that the majority of instances where underage people are exposed to advertising for age-restricted products on social media platforms occurs as a result of circumvention of the platforms' age verification processes. Users entering in a fake birthdate during the sign-up process is a common occurrence, with research conducted by Ofcom in 2022 in the UK finding that 1 in 3 social media users aged 8–17 years had a recorded age of at least 18 on their social media profiles.⁶¹⁵

The House Select Committee Inquiry into Social Media and Online Safety examined existing identity verification and age assurance policies and practices, and the extent to which they are being enforced. It found that age verification (or age assurance) tools have been increasingly utilised by technology and social media platforms to prevent children accessing inappropriate material.⁶¹⁶ For example, Meta requires the provision of a date of birth when registering for a new account. It will refuse access for those under the age of 13 years, and place restrictions on attempts to enter different birthdates into the age screen to circumvent the possibility of underage users attempting to 'game' the system. Meta noted it has invested in AI to understand a user's real age, and may use signals such as examining happy birthday posts and linked accounts with different ages associated with them to detect a person's true age.⁶¹⁷

In early March 2023 France's National Assembly passed a bill requiring TikTok, Instagram, Snapchat and other social networks to put in place a technical solution to verify the age of their users, and to verify whether children under the age of 15 have received parental consent.⁶¹⁸

Many Australian stakeholders expressed concern that age verification technology would negatively impact on users' privacy. For example, Digital Rights Watch submitted that incentivising companies and government agencies to collect, use and store additional personal information in order to conduct age verification creates additional privacy and security risk, which in turn can exacerbate online harms.⁶¹⁹ Similarly, Google note that no age verification mechanism is 100% accurate, and the more accurate the mechanism, the more intrusive it likely is.⁶²⁰

The ACCC acknowledges that age verification is a complex issue and notes there is currently considerable work underway across government to better understand and address the concerns identified.⁶²¹

⁶¹⁵ Ofcom, [Children's online user ages quantitative research study](#), July 2022.

⁶¹⁶ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Inquiry Report](#), March 2022, p 107.

⁶¹⁷ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Inquiry Report](#), March 2022, p 107.

⁶¹⁸ As at early March 2023, the bill still requires Senate approval to become law. MLex, [TikTok, Instagram, other social networks see French age-verification law win lawmakers' backing](#), 3 March 2023, accessed 6 March 2023.

⁶¹⁹ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, pp 108-109.

⁶²⁰ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, p 109.

⁶²¹ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, p 214.

4.4. Dispute resolution with social media platforms

Numerous stakeholders continue to support for the ACCC's Digital Platforms Inquiry Final Report recommendation that digital platforms develop internal dispute resolution processes that facilitate the effective resolution of consumer complaints. This recommendation was echoed in the Regulatory Reform Report, with the ACCC recommending internal dispute resolution standards and the establishment of an external Digital Ombuds Scheme to provide consumers and small business with better dispute resolution pathways.

Multiple submissions note more work needed to be done to support effective and easily accessible ways for consumers and small business customers to resolve disputes with social media platforms, including mandatory takedown requirements within specified timeframes.⁶²² For example, one not-for-profit reports they were unable to contact Facebook to change their incorrectly applied status as a political organisation,⁶²³ and a law-firm note their Instagram account was blocked following a disputed age-verification process, with no way to contact Instagram to resolve the issue.⁶²⁴ Another stakeholder notes that one of its clients was unable to be verified and regain access to their Facebook page despite sending over 70 emails to Meta in attempts to resolve the issue. Another of the stakeholder's clients emailed Meta over 100 times before their account access issue was escalated to Meta's specialist team.⁶²⁵

As noted earlier, Meta recently launched its subscription bundle Meta Verified. As part of this service, subscribers have access to help from a 'real person' for common account issues.⁶²⁶ It is currently unclear the level and type of assistance that may be offered, but it is possible this may include help resolving some disputes for paying subscribers. Meta Verified is discussed further at section 5.1.

4.5. Disinformation and misinformation

Disinformation and misinformation can be spread online via a number of different channels, including social media platforms. Influencers may assist in the spread of disinformation and misinformation by amplifying content circulated in smaller online conspiracy groups. For example, the ACMA notes the role of figures like Woody Harrelson and Wiz Khalifa in promoting conspiracy theories linking 5G and COVID-19. These theories gained traction in Australian Facebook groups, the largest growing to 48,000 members, fuelled by local celebrities and influencers.⁶²⁷

Some social media platforms have taken steps in relation to the spread of disinformation and misinformation, with the Digital Industry Group Inc (DIGI) publishing a voluntary Australian Code of Practice on Disinformation and Misinformation (the Code) in

⁶²² ADMA, [Submission to the Report](#), 12 October 2022, p 13; Consumer Policy Research Centre, [Submission to the Report](#), 12 October 2022, p 11; ACCAN, [Submission to the Report](#), 12 October 2022, pp 11–12; Nine, [Submission to the Report](#), 12 October 2022, p 7.

⁶²³ British Pensions in Australia Inc., [Submission to the Report](#), 12 October 2022.

⁶²⁴ Leon Loganathan, [Submission to the Report](#), 12 October 2022, p 1.

⁶²⁵ Confidential meeting with industry stakeholder, published with consent.

⁶²⁶ Meta, [Testing Meta Verified to help creators establish their presence](#), 19 February 2023, accessed 6 March 2023.

⁶²⁷ ACMA, [Report to government on the adequacy of digital platforms' disinformation and news quality measures](#), June 2021.

February 2021.⁶²⁸ It currently has 8 signatories (Adobe, Apple, Google, Meta, Microsoft, Redbubble, TikTok and Twitter).⁶²⁹

In December 2022, DIGI finalised its 2022 review of the Code following a period of public consultation. Improvements to the Code include an updated definition of ‘harm’ and the inclusion of an additional commitment in relation to increased transparency around the use of recommender systems. There are also some adjustments to make participation by a wider range of industry participants more likely.

In January 2023, the Government announced its intention to consult on draft legislation for new regulatory misinformation and disinformation powers for the ACMA in the first half of 2023, with introduction to Parliament to follow later in the year.⁶³⁰ This announcement is consistent with recommendations made by the ACMA in its June 2021 report to the Government on the effectiveness of industry measures under the Code. If passed, this legislation will enable the ACMA to better monitor and assess the effectiveness of platform moderation activities, while incentivising greater participation and performance by industry under the existing code.

Under the draft legislation the ACMA will also be empowered to register enforceable industry codes and to make standards should industry self-regulatory measures fail or prove insufficient in addressing the threat of harm from online misinformation and disinformation.

4.6. Harms arising from the use of algorithms

Recommender algorithms work to prioritise content or make personalised content suggestions to users of social media platforms.⁶³¹ While algorithms can work to serve content that an individual user finds interesting, entertaining or valuable, they can also result in damaging feedback loops (commonly known as ‘echo chambers’) for users who spend time engaging with potentially harmful content.⁶³² Algorithms also pose risks for consumers, such as encouraging the sharing or spread of scam content or disinformation and misinformation.⁶³³ Further harms can arise as a result targeted harmful advertising based on behavioural patterns and the amplification of human bias and discrimination through the exclusion of content from diverse communities.⁶³⁴ Multiple submissions note the need for greater transparency regarding the use of automated systems and algorithms by social media platforms to deliver content to users.⁶³⁵

The House Select Committee Inquiry into Social Media and Online Safety considered the extent to which algorithms used by social media platforms permit or increase online

⁶²⁸ DIGI, [Disinformation Code](#), 22 February 2021.

⁶²⁹ While Snap Inc. is a founding member of DIGI, it is not currently a signatory to the Code.

⁶³⁰ The Hon. Michelle Rowland MP, [New ACMA powers to combat harmful online misinformation and disinformation](#), 20 January 2023, accessed 27 February 2023.

⁶³¹ eSafety, [Recommender systems and algorithms position statement](#), December 2022, p 1.

⁶³² eSafety, [Recommender systems and algorithms position statement](#), December 2022, p 5.

⁶³³ eSafety, [Recommender systems and algorithms position statement](#), December 2022, p 7.

⁶³⁴ eSafety, [Recommender systems and algorithms position statement](#), December 2022, p 8.

⁶³⁵ Obesity Policy Coalition, [Submission to the Report](#), 12 October 2022, p 6; Sora Park (University of Canberra) and Tanya Notley (Western Sydney University), [Submission to the Report](#), 12 October 2022, p 8; Nine Entertainment, [Submission to the Report](#), 12 October 2022, pp 7–8.

harms to Australians.⁶³⁶ The Committee's report notes concerns in relation to the ways in which algorithms can 'up score' negative or dangerous content, including:

- Concerns by Home Affairs that selective prediction technology used by algorithms effectively encourage users to be isolated within particular viewpoints or ideologies, which can 'fuel racism, violence, and extreme political and/or narratives'.⁶³⁷
- Concerns by Eating Disorders Families Australia that pro-eating disorder content is readily available on social media, and often suggested by the platforms' algorithms based on a user's interests. They pointed to TikTok's algorithm as particularly harmful, as it tended to target young people with diet content.⁶³⁸
- The Australia Institute pointed to the example contained in documents, leaked by Meta whistle-blower Francis Haugen, which described how Facebook's algorithms 'promoted posts which provoked angry reactions, as they generated more engagement than those which generated positive or neutral reactions'.⁶³⁹

The Committee recommended government undertake further work to examine the use of algorithms in digital platforms.⁶⁴⁰ Current work underway is outlined below.

4.6.1. Ongoing Australian Government work into algorithms

There is currently broader interest across government in digital platforms' algorithms, including their potential impact on areas such as national security, democracy and media diversity. Further work is currently underway, including the Department of Home Affairs and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) progressing work to better understand the operation of digital platforms' algorithmic recommender systems.

In eSafety's December 2022 Recommender systems and algorithms position statement, eSafety noted that greater transparency on design choices, algorithm objectives, and outcomes of recommender systems is required to improve regulatory and public understandings of algorithms, enable regulatory oversight, and empower users to make informed choices.⁶⁴¹ eSafety is currently developing education and training materials to help raise awareness of the potential risks of recommender systems and algorithms and the tools to manage them. eSafety will continue to address complaints under the *Online Safety Act 2021* (Cth) in relation to cyber bullying, serious adult online abuse, and image-based abuse to help limit the spread of harmful material.

The Senate Standing Committee on Economics' Inquiry into the Influence of International Digital Platforms is currently examining whether algorithms lack transparency, manipulate users and user responses, and contribute to greater concentrations of market power. It is

⁶³⁶ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Terms of Reference](#), accessed 17 January 2023.

⁶³⁷ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, p 87.

⁶³⁸ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, pp 88--89.

⁶³⁹ Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022, pp 87-91.

⁶⁴⁰ See Recommendation 13: Parliament of Australia, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Report](#), March 2022.

⁶⁴¹ eSafety, [Recommender systems and algorithms position statement](#), December 2022, p 9.

also considering how regulating algorithms could lead to better outcomes in the public interest.⁶⁴² The Committee is due to report by the last sitting day of 2023.

Concerns over the harmful use of algorithms by social media platforms are also being considered by other jurisdictions. For example, in November 2022 the UK Ofcom announced it was considering whether Twitter, TikTok and other large social media platforms could be forced to disclose the codes behind their feeds in an effort to stop young people from being served news that drives them to extremes.⁶⁴³

In October 2022, over 80 US litigation cases against social media companies including Meta, Snap, TikTok and YouTube were consolidated in the Northern District Court of California.⁶⁴⁴ A master complaint was filed on 14 February 2023, alleging that the social media platforms caused a youth mental health crisis, encouraged dangerous 'challenges', and facilitated sex trafficking.⁶⁴⁵ The plaintiffs claim that social media platforms are addictive by design, allegedly causing self-destructive behaviour in adolescents and leading to harms including depression, eating disorders, and sleeplessness through exposure to content curated by the platforms' algorithms.⁶⁴⁶

⁶⁴² Parliament of Australia, Senate Standing Committee on Economics, Influence of International Digital Platforms Inquiry, [Terms of reference](#), accessed 17 January 2023.

⁶⁴³ Financial Times, [UK regulator may force social media sites to reveal algorithms](#), 16 November 2022, accessed 21 March 2023. See also Ofcom, [Discussion document: Media plurality and online news](#), 16 November 2022, pp 49–50.

⁶⁴⁴ Northern District Court of California, [In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation](#), 11 October 2022.

⁶⁴⁵ Bloomberg Law, [Youth Social Media Addiction Plaintiffs File Master Complaint](#), 16 February 2023.

⁶⁴⁶ Bloomberg Law, [Meta, Snap, Others Face Social Media Injury Suits in California](#), 7 October 2022.

5. Influencers

Key findings

- The influencer marketing industry is growing significantly.
- Influencers need to be clear if there are any commercial motivations behind their posts. A failure to disclose payment, or free products or services received from a brand, may mislead consumers into thinking testimonials are genuine and prevent them from making informed choices.
- Income streams earned by influencers on social media platforms can be uneven, and changes to platform algorithms and platform influencer partner programs can have a considerable impact on their ability to earn revenue.
- Influencers are often public figures and can face high rates of online harassment and bullying.
- Child influencers or ‘kidfluencers’ may be susceptible to greater online harm, including via online harassment, privacy breaches and a lack of labour protections.

This chapter examines influencers and the role they play in the growing influencer marketing industry. It also examines the relationship between influencers and the platforms, as well as harms to influencers resulting from their public profile.

Influencers generate and share content on social media platforms with other users. Influencers can cultivate an audience and earn revenue by promoting brands and products, receiving donation or subscription funds from their audiences, or joining creator funding programs offered by the platforms.⁶⁴⁷ The term ‘creators’ is used by some social media platforms to refer to users who use digital technology to make and publish unique creative content,⁶⁴⁸ while ‘influencers’ are typically understood to have larger social media followings. A survey conducted in 2022 estimates that there are 6 million ‘creators’ in Australia.⁶⁴⁹ While there are slight differences between the 2 terms, the term ‘influencer’ is used throughout this report to describe creators who showcase their content on social media platforms and, in some cases, monetise their efforts through memberships, subscriptions, digital tips, advertising, brand partnerships, endorsements, direct funding from platforms, and other forms of digital payment.⁶⁵⁰

This chapter is structured as follows:

- **Section 5.1** provides an overview of influencer relationships with the platforms.
- **Section 5.2** discusses influencer advertising, and examines influencer compliance with disclosure requirements.
- **Section 5.3** discusses influencer revenue.
- **Section 5.4** considers influencer harassment.

⁶⁴⁷ LinkedIn, [How Do Influencers Make Money?](#), 8 September 2022, accessed 19 January 2023.

⁶⁴⁸ Creative Class, [The Rise of the Creator Economy](#), November 2022, p 3.

⁶⁴⁹ Survey conducted by Edelman Data & Intelligence for Adobe. The survey defines ‘Creators’ as having participated in creative activities (for example, photography, creative writing, original social media content creation) and posting, sharing or promoting their work from these activities online at least monthly with the goal of growing their social presence. See Creative Class, [The Rise of the Creator Economy](#), November 2022. The ACCC considers this definition is broader than the term ‘Influencer’ used throughout this report.

⁶⁵⁰ Creative Class, [The Rise of the Creator Economy](#), November 2022, p 3.

- **Section 5.5** discusses child influencers.

5.1. Influencer relationships with the platforms

Influencers are reliant on social media platforms to reach their followers and earn revenue. Small changes to a platform's algorithm can have a significant impact on an influencer's career and ability to earn revenue.⁶⁵¹ For example, tests run by TikTok in early 2023 resulted in the removal of sound from many of its users' videos, rendering the videos unwatchable and posing risks to scheduled brand collaborations.⁶⁵²

Platforms provide some educational programs to assist influencers in understanding these changes and how to optimise monetisation opportunities. For example, in November 2022 Meta launched the Meta Creator Academy in Australia to assist influencers in creating and monetising Reels.⁶⁵³ Despite this, there remains a lack of transparency around how algorithms work to make content go viral,⁶⁵⁴ leaving influencers to invest time and resources in content creation without certainty of remuneration. Consumer harms arising from the use of algorithms are discussed further at section 4.6.

In March 2023, Meta launched its Meta Verified subscription service for users in the US, Australia and New Zealand. Meta states that the service aims to 'help up-and-coming creators grow their presence and build community faster' by increasing visibility and reach for users who pay for the service. This change may result in the prioritisation of content posted by subscribed users – providing prominence in areas of Facebook or Instagram such as search, comments and recommendations – over content posted by users who have not paid for the service. In addition, subscribed users receive access to an account verification badge (where government identification is provided, similar to the blue tick offered through Twitter's 'Twitter Blue' paid subscription where a confirmed phone number is provided), proactive impersonation protections, and access to a 'real person' for account support. Despite linked functionality across Meta's platforms (such as cross-posting), users are required to pay a monthly fee of US\$11.99 via web browser, or US\$14.99 via iOS and Android, on each service in order to access subscription features.⁶⁵⁵

⁶⁵¹ MIT Technology Review, [TikTok made him famous. Now he's imagining a world without it](#), 14 August 2020, accessed 14 March 2023.

⁶⁵² The Guardian, [Australian TikTok creators could dump app after month-long test removed sound from videos](#), 3 February 2023, accessed 16 February 2023.

⁶⁵³ Canberra Times, [Creators to get reels at new Meta academy](#), 29 November 2022, accessed 29 November 2022. The ACCC notes that Meta paused its Reels program in March 2023. See TechCrunch, [Meta will stop offering Reels bonuses to creators on Facebook and Instagram](#), 10 March 2023, accessed 14 March 2023.

⁶⁵⁴ The Vergecast, [The dark, uncertain world of creator funds](#), 5 December 2022, accessed 14 March 2023.

⁶⁵⁵ Meta, [Testing Meta Verified to Help Creators Establish Their Presence](#), 19 February 2023, accessed 6 March 2023.

Social media platforms actively attract and encourage influencers to monetise their presence on their platforms through content creator programs and bonus funds, including by encouraging eligible users to join bonus programs via direct invitation. These programs include:

- TikTok's Creator Fund for US influencers, which grew from US\$200 million at its launch in 2020 to an expected over US\$1 billion in 2024.⁶⁵⁶ TikTok's Pulse program, an advertising revenue share model which earns top US influencers 50% of advertising revenue from advertising placed next to their videos, was also launched in 2022.⁶⁵⁷
- Meta's Bonuses for Facebook and US Instagram influencers, launched as a US\$1 billion pledge in 2021.⁶⁵⁸
- Twitter's US\$2,500 monthly payments to US live audio influencers, launched in 2021.⁶⁵⁹
- Snapchat's Spotlight reward, launched in 2020 as a US\$1 million a day pay-out. This was reduced to 'millions per year' in 2022.⁶⁶⁰
- YouTube's Partner Program, an advertising revenue share model launched in 2007 which earns partners 55% of advertising revenue from advertising displayed on their long-form videos. In 2023, a revenue share rate of 45% was added for advertising displayed on Shorts.⁶⁶¹

Reports note that TikTok is also considering the introduction of additional features to better reward influencers, including paywall videos and a new creator fund with higher pay-outs, along with other incentives such as training on best practices for creating TikTok videos.⁶⁶²

In addition, social media platforms provide a range of tools to make it easier for influencers to monetise their content. Examples include:

- Instagram's provision of tools for influencers to work with brands and create branded content, for users to buy badges to support live videos, and for influencers to promote merchandise sales via an Instagram shop.⁶⁶³
- TikTok's provision of tools for brands to find influencers to work with and create branded content, for brands to find organic content to turn into an advertisement,⁶⁶⁴ for influencers to find products to promote,⁶⁶⁵ and for users to tip other users⁶⁶⁶ or buy gifts to support videos.⁶⁶⁷

⁶⁵⁶ TikTok, [Introducing the \\$200M TikTok Creator Fund](#), 23 July 2020, accessed 10 January 2023.

⁶⁵⁷ TikTok, [TikTok Pulse: bringing brands closer to community and entertainment](#), 5 May 2022; The Verge, [TikTok will start to share ad revenue with creators](#), 5 May 2022, accessed 14 March 2023.

⁶⁵⁸ Meta, [Investing \\$1 Billion in Creators](#), 14 July 2021, accessed 16 March 2023

⁶⁵⁹ Twitter, [Launching: the Twitter Spaces Spark Program](#), accessed 10 March 2023.

⁶⁶⁰ Snap, Inc., [Snapchat reduces payouts for Spotlight creators](#), 28 October 2022, accessed 10 January 2023.

⁶⁶¹ YouTube, [YouTube partner earnings overview](#), accessed 6 February 2023.

⁶⁶² The Information, [TikTok Turns to New Tactics to Spur Growth as Boom Times End](#), 13 February 2023, accessed 16 February 2023.

⁶⁶³ Instagram, [Get paid for the work you do for your community](#), accessed 14 March 2023.

⁶⁶⁴ TikTok, [New creative tools to strengthen brand and creator collaborations](#), 28 September 2021, accessed 12 January 2023.

⁶⁶⁵ TikTok, [Creator](#), accessed 12 January 2023.

⁶⁶⁶ TikTok, [Receive a Tip on TikTok](#), accessed 12 January 2023.

⁶⁶⁷ TikTok, [Gifts](#), accessed 12 January 2023.

- Snapchat’s provision of tools for brands to find influencers to work with to create branded content, for influencers to submit videos and receive rewards for remuneration,⁶⁶⁸ and for users to buy gifts to support stories.⁶⁶⁹

The availability of such programs and tools demonstrates the value that platforms place on monetised or branded content, and the compensation available to influencers may not be proportionate or fair considering the benefit brought to platforms by influencer activity.⁶⁷⁰

Additionally, the terms and conditions of these programs often do not provide certainty over duration of participation, content eligibility requirements or the amount of remuneration that an influencer may earn through participation.⁶⁷¹ For example:

- Facebook’s Creator Content Bonus Program terms state Facebook may terminate or restrict access to the programs in its ‘sole discretion at any time and for any reason’.⁶⁷²
- Instagram’s Creator Incentive terms state creators must not make public statements regarding the program terms or transactions contemplated or performed under them.⁶⁷³
- Similarly, TikTok’s Creator Fund terms state details of any non-public information contained or resulting from the program are to be kept strictly confidential by the creator and not published or shared with any third party.⁶⁷⁴
- Snap’s Spotlight terms require creators to agree not to disclose any non-public information provided by Snap without Snap’s express written approval.⁶⁷⁵

Further, a report by the UK House of Commons Digital, Culture, Media and Sports Committee found there may be an imbalance of power between talent agencies, brands, and influencers. Influencers, especially new entrants, may be vulnerable to being coerced into unfair contracts with brands and talent agencies.⁶⁷⁶ Rapid expansion of the influencer agency market has led to disparities in the quality of services offered to influencers. Smaller emerging talent agencies often have unclear or exploitative fees and commissions and may offer patchy or inconsistent support to talent.⁶⁷⁷ A lack of transparency regarding pay in the industry has led to newer entrants accepting lower remuneration.⁶⁷⁸

Australia’s recently expanded unfair contract terms laws may apply in some instances to influencer contracts with brands and talent agencies. The ACCC intends to release further

⁶⁶⁸ Snap, Inc., [How to get rewarded on Spotlight](#), accessed 12 January 2023.

⁶⁶⁹ Snap, Inc., [Gifting](#), accessed 12 January 2023.

⁶⁷⁰ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 22.

⁶⁷¹ For example, TikTok’s Creator Fund has been criticised for its lack of transparency and clarity around how it calculates pay-outs. Wired, [Tik Tok Is Paying Creators. Not All of Them Are Happy](#), 10 September 2020, accessed 14 March 2023.

⁶⁷² Facebook, [Facebook Creator Content Bonus Program Terms](#), accessed 18 January 2023.

⁶⁷³ Instagram, [Instagram Creator Incentive Terms](#), accessed 25 January 2023.

⁶⁷⁴ TikTok, [TikTok Creator Fund Terms](#), accessed 25 January 2023.

⁶⁷⁵ Snap, Inc., [Snap Spotlight Submission and Revenue Terms](#), accessed 25 January 2023.

⁶⁷⁶ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 9.

⁶⁷⁷ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 17.

⁶⁷⁸ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 19.

guidance material for businesses to assist them to understand their rights and achieve compliance with these expanded laws in 2023–24.

5.1.1. Lack of revenue share transparency

While some platforms have introduced features enabling users to pay to reward their favourite influencers, consumers may be unaware that influencers do not always receive the full amount that a consumer has paid. When rewards are purchased in-app on iOS or Android devices, Apple and Google typically receive 30% of the revenue through their in-app purchase fees.⁶⁷⁹

In 2020, Instagram introduced its badges feature on Instagram Live, allowing users to support influencers during their live videos. Badges cost US\$0.99, \$1.99 or \$4.99, with the full amount being passed on to influencers (minus any in-app purchase fees).⁶⁸⁰

Since 2019, Facebook has also allowed viewers to purchase Stars to send to influencers during their live videos. However, unlike Instagram Badges, Facebook takes a portion of this revenue (at the point of purchase). An influencer will be paid US\$0.01 for each Star they receive,⁶⁸¹ once their total balance reaches at least US\$100. Facebook has not published its revenue share,⁶⁸² stating that rates depend on the size of the Star pack and the location in which it was purchased.⁶⁸³

In 2021, TikTok introduced Tips and Gifts. Through Tips, users can pay influencers directly via their TikTok profile, and influencers will receive the full amount paid (minus any payment provider fees).⁶⁸⁴ In contrast, TikTok receives a significant portion of the amount paid by users through Gifts. Gifts enable users to send virtual items to influencers on the For You feed and on LIVE videos by first purchasing Coins,⁶⁸⁵ which can then be exchanged for Gifts of different values. An influencer who has received Gifts may:

- convert their Gifts to Diamonds, at a rate of approximately 50% of the value of the Coins that were used by users to purchase the Gifts
- exchange their Diamonds for real currency, of which TikTok takes approximately a 50% commission.⁶⁸⁶

TikTok users have indicated confusion in relation to the Gifts process, including surrounding the price of Gifts and the amount that is ultimately received by influencers.⁶⁸⁷

Similarly, in 2021 Snapchat introduced its own Gifting feature. Users may purchase Tokens, which can then be exchanged for Gifts of different values. The price of Tokens varies depending on the number purchased – for example, 80 Tokens cost A\$1.49,

⁶⁷⁹ Instagram, [Badges](#), accessed 17 February 2023; Facebook, [About Facebook Stars payouts](#), accessed 17 February 2023; TikTok, [Coins Policy](#), June 2022, accessed 16 February 2023.

⁶⁸⁰ Instagram, [Badges](#), accessed 17 February 2023.

⁶⁸¹ Facebook, [What Are Facebook Stars?](#), accessed 14 March 2023.

⁶⁸² As at February 2023.

⁶⁸³ Facebook, [About Facebook Stars payouts](#), accessed 17 February 2023.

⁶⁸⁴ TikTok, [Tip a creator on TikTok](#), accessed 16 February 2023.

⁶⁸⁵ As at 16 February 2023, each Coin will cost a user A\$0.017, with a minimum of 30 Coins per transaction. See TikTok, [Coin](#), accessed 16 February 2023.

⁶⁸⁶ Influencer Marketing Hub, [What are TikTok LIVE Gifts and How Do They Work?](#), 14 July 2022, accessed 14 March 2023.

⁶⁸⁷ Reddit's [TikTokhelp](#) thread includes posts and comments from users and influencers relating to TikTok Coins, Gifts and Diamonds, including actual prices and earnings. See, for example, Reddit, [TikTok diamonds incorrect value makes me lose money; Real Price of TikTok Gifts in 2022?](#), accessed 16 February 2023.

whereas 1,100 Tokens cost A\$14.99.⁶⁸⁸ Snap will take an undisclosed portion of the revenue from each Gift,⁶⁸⁹ which are sent to influencers via reply to their Public Stories. Certain types of Gifts may generate Crystals for eligible influencers, which can then be exchanged for real currency once the US\$100 threshold is reached.⁶⁹⁰ Snap has not published information regarding the rate of conversion for eligible Gifts to Crystals.⁶⁹¹

5.2. Influencer advertising

The influencer marketing industry, including marketing firms, personal relations firms, brands and brand representatives who work with influencers to create or publish advertising content, has grown significantly in recent years. Markets and Markets estimates that the global influencer marketing sector will grow from US\$6 billion in 2020 to US\$24.1 billion by 2025.⁶⁹² According to a 2020 UK influencer survey, the percentage of influencers with channels that generate income rose from 34% in 2016 to 49% in 2020.⁶⁹³ The Influencer Marketing Hub⁶⁹⁴ found that the global number of influencer marketing related companies grew by 26% in 2021 to reach 18,900.⁶⁹⁵ Platforms increased their investment to attract influencers to their platforms, including developing features to enable influencer advertising, though this is expected to decrease throughout 2023.⁶⁹⁶ Examples of platform investment into influencers is discussed at section 5.1.

Influencer advertising models can vary depending on the nature of the agreements between the influencer and the brand or marketing firm. Some influencers may create organic content featuring brands, products and services (for example, taking a photo at a promotional event to share with followers), while others may create promotional content which follows specified talking points or is subject to approval processes from a brand.⁶⁹⁷

5.2.1. Influencers' disclosure requirements

In Australia, advertising (including influencer advertising on social media) should be clearly distinguishable from other content.⁶⁹⁸ It is important that influencers are clear if there are any commercial motivations behind their posts. This includes those posts that are incentivised, but are presented as impartial when they are not.

Where an influencer accepts payment of money, or free products or services from a brand in exchange for them to promote that brand's products or services, the relationship should be clear, obvious and upfront to the audience. It must also be expressed in a way that is easily understood (for example, #ad, Advert, Advertising, Branded Content, Paid Partnership, Paid Promotion). Less clear labels such as #sp, Spon, gifted, Affiliate, Collab,

⁶⁸⁸ As at 14 March 2023.

⁶⁸⁹ Tubefilter, [Snap Says Spotlight Has Paid Out \\$130 Million To Users, Unveils Creator Tip Feature 'Gifting'](#), 20 May 2021, accessed 17 February 2023.

⁶⁹⁰ Snap, Inc., [Gifting](#), accessed 16 February 2023.

⁶⁹¹ As at February 2023.

⁶⁹² Markets and Markets, [Influencer Marketing Platform Market](#), accessed 14 March 2023.

⁶⁹³ Vuelio, [UK Influencer survey 2020](#), accessed 14 March 2023.

⁶⁹⁴ The Influencer Marketing Hub is a private media company specialising in producing how-to guides, courses and research reports in the social media and influencer marketing industry.

⁶⁹⁵ Influencer Marketing Hub, [The state of influencer marketing 2022: Benchmark report](#), accessed 14 March 2023.

⁶⁹⁶ The Information, [The Creator Economy's Next Chapter: Living With Less](#), 3 January 2023, accessed 9 January 2023.

⁶⁹⁷ Influencer Marketing Hub, [Taking A Talent-First Approach To Influencer Campaigns](#), 27 January 2023, accessed 23 February 2023.

⁶⁹⁸ AANA, [AANA Code of Ethics Practice Note](#), February 2021.

'thanks to...', or merely mentioning the brand name may not be sufficient to clearly distinguish the post as advertising.⁶⁹⁹

Box 5.1: Role of the Australian Association of National Advertisers, Ad Standards and the Australian Influencer Marketing Council

Advertising in Australia is subject to a system of self-regulation, overseen nationally by the Australian Association of National Advertisers (AANA) and Ad Standards which manage consumer complaints about advertising. The AANA Code of Ethics sets the standard for advertising, including on social media.⁷⁰⁰

The Australian Influencer Marketing Council (AiMCO) was established in 2019 at the request of the Australian advertising industry seeking assistance with best practice for influencer marketing. AiMCO has developed the Australian Influencer Marketing Code of Practice, which provides voluntary guidance to those working in the Australian influencer marketing sector.⁷⁰¹

Further details on the role of AANA, Ad Standards and AiMCO are provided in Appendix A.

Influencers often aim to present themselves as real, ordinary people and as such, their followers may trust their opinions and recommendations more than those presented through traditional media advertising.⁷⁰² While consumers have been exposed to advertising via endorsements by celebrity individuals for a significant period, the rapid expansion of influencer advertising on social media poses additional challenges when compared to more traditional advertising media. This is because influencer advertising is integrated with an influencer's non-commercial editorial content, often making it difficult for consumers to distinguish. Research conducted in 2022 by the Consumer Policy Research Centre found 85% of Australians recalled seeing online content they found difficult to determine whether it was an advertisement.⁷⁰³

This effect is increased because brands choose to partner with influencers they feel best represent their products and services, identifying opportunities for their products and services to appear alongside authentic posts. In addition, influencers possess more editorial control over advertisements than in traditional media, meaning advertisements can be easily integrated with an influencer's other content.

Influencers have incentives not to disclose endorsement deals or 'overcommercialise' as their advertising influence largely relies on their authenticity.⁷⁰⁴ The integration of advertising material with authentic posts can therefore create an incentive for brands and influencers not to label advertising clearly and prominently, because a feed with multiple obvious advertisements may be considered 'inauthentic' and off-putting to followers.

There can be a significant difference in the approach of new and more established parties in the influencer marketplace, with more established marketing firms, brands and influencers likely to have greater awareness of their disclosure obligations. However, due

⁶⁹⁹ AANA, [AANA Code of Ethics Practice Note](#), February 2021.

⁷⁰⁰ AANA, [Code of Ethics](#), February 2021.

⁷⁰¹ AiMCO, [Australian Influencer Marketing Code of Practice](#), 11 August 2021.

⁷⁰² UK House of Commons Digital, Culture, Media and Sports Committee, [Influencer Culture: Lights, camera, inaction?](#), April 2022, p 29.

⁷⁰³ Consumer Policy Research Centre, [Duped by design – Manipulative online design: dark patterns in Australia](#), June 2022.

⁷⁰⁴ UK House of Commons Digital, Culture, Media and Sports Committee, [Influencer Culture: Lights, camera, inaction?](#), April 2022, p 29.

to the low barriers to entry in the influencer marketing ecosystem, there are large numbers of new entrants who lack this knowledge and understanding. Despite industry efforts, there remains a high degree of variability in how influencers disclose advertisements, if at all.⁷⁰⁵ According to HypeAuditor's 2021 Influencer Income Survey⁷⁰⁶, while 61% of influencers reported they make advertisement disclosures when working with brands, 27% said they only did so 'sometimes', while 12% reported they do not.

Platforms provide brand labelling tools to assist influencers and users in meeting their disclosure obligations. For example:

- Meta's branded content policies state that branded content may only be posted with the use of the branded content tool, and creators must use the branded content tool to tag the featured third-party product, brand, or business partner with their prior permission.⁷⁰⁷ Meta detects non-compliant content and notifies the poster, prompting them to add a tag or address the breach.⁷⁰⁸
- TikTok requires users to enable the Branded content toggle, which adds a disclosure to the post description. TikTok's moderation team reviews all content with the Branded toggle applied to ensure it meets their content guidelines.⁷⁰⁹ To encourage compliance, if a video description includes a disclosure such as #Ad or #Sponsored, TikTok will prompt the user to enable the Branded toggle.⁷¹⁰ Branded content posted without the toggle or proper disclosure may not be displayed in the For You feed.⁷¹¹
- Snap's Commercial Content Policy states that commercial content must identify its commercial nature and any promoted third-party brand.⁷¹² Snap does not allow a commercial post to be amplified beyond a user's public profile if the disclosure is not visible in compliance with advertising disclosure obligations.

5.2.2. ACCC influencer sweep

On 23 January 2023 the ACCC launched a sweep aimed at identifying misleading endorsements and testimonials by social media influencers.⁷¹³ The sweep concluded on 3 February 2023.

The focus of the sweep was to identify posts by social media influencers that contained potentially misleading reviews or endorsements, and which may cause consumer harm. Brands, advertisers and marketing firms were also a focus of the sweep given their significant role in facilitating influencer posts which may potentially include misleading endorsements and testimonials. For example, advertisers and marketing firms often set

⁷⁰⁵ UK House of Commons Digital, Culture, Media and Sports Committee, [Influencer Culture: Lights, camera, inaction?](#), April 2022, p 28.

⁷⁰⁶ HypeAuditor is a US-headquartered firm which provides a set of tools for brands to discover and analyse influencers on Instagram, TikTok, YouTube, Twitch and Twitter, verify their authenticity, and track the results of influencer marketing campaigns. Survey of 1,865 Instagram influencers. See Hype, [Our survey data of 1865 Instagram influencers](#), 28 June 2021, accessed 14 March 2023.

⁷⁰⁷ Meta defines branded content as 'a creator or publisher's content that features or is influenced by a business partner for an exchange of value, such as monetary payment or free gifts.' See Meta, [Branded content policies](#), accessed 16 January 2023.

⁷⁰⁸ Meta Business Help Centre, [How Facebook enforces branded content policy](#), accessed 12 January 2023.

⁷⁰⁹ TikTok, [Creating Branded Content on TikTok](#), accessed 12 January 2023.

⁷¹⁰ TikTok for Business, [Shedding light on our new branded content policy](#), published 15 July 2021, accessed 12 January 2023.

⁷¹¹ TikTok, [Creating Branded Content on TikTok](#), accessed 12 January 2023.

⁷¹² Snap, Inc., [Commercial Content Policy](#), accessed 16 January 2023.

⁷¹³ ACCC, [ACCC social media sweeps targets influencers](#), 27 January 2023.

terms in contractual agreements with influencers outlining how they must promote brands in their posts.

Specifically, the sweep aimed to identify examples of ways in which influencers, advertisers and brands may use social media advertising to mislead or deceive consumers, including by:

- making incorrect statements or creating a false or misleading impression about a product, service or brand
- omitting key information in their social media posts, such as underlying commercial relationships, sponsorships or other incentives received to promote a product, service or brand, and/or
- disclosing advertising or sponsorships in posts, but this disclosure is not clear or prominent enough for the ordinary consumer to notice or pay attention to.

A total of 118 influencers were monitored on their social media accounts for signs of potentially misleading advertising. The platforms monitored included social media services Instagram, TikTok, Snapchat, YouTube and Facebook, and livestreaming service, Twitch.

In conducting the sweep, the ACCC targeted 7 sectors in which influencer marketing is widespread, and consumers most commonly rely on influencer endorsements to make purchasing decisions. These sectors include fashion, beauty and cosmetics, food and beverage, travel and lifestyle, health fitness and wellbeing, and gaming and technology.

The ACCC also asked the general public for tips regarding influencers who did not properly disclose advertising in their social media posts. These tips were received via the ACCC's social media accounts and provided valuable insights into potential sweep targets. In total, over 150 tips were provided by the public which were incorporated into the sweep process.

While the sweep primarily focused on monitoring the accounts of prominent Australian influencers with large followings, influencers with smaller followings were also monitored. This was necessary to identify the extent to which these smaller influencers may use different potentially misleading advertising practices compared to larger influencers. For example, smaller influencers may seek to build and maintain more seemingly authentic relationships with their followers to add greater legitimacy to their hidden advertising posts. They may also be looking to attract a different segment of the advertising market, such as local small businesses, compared to larger influencers seeking larger national brand deals.

Findings and next steps

The ACCC has conducted a preliminary analysis of the sweep results and the high-level findings are outlined in box 5.2 below. These results do not reflect the number of influencers identified as potentially engaging in misleading conduct in breach of the Australian Consumer Law. Rather, they represent the number of influencer accounts for which a post or posts were flagged as being of potential concern, given the influencer's posts showed some signs they may be advertising or receiving incentives to promote brands, but this had not been properly disclosed in posts.

In the next phase of sweep analysis, the ACCC will conduct further assessments of these posts to verify whether these posts contain commercially sponsored content, and if so, whether these posts may be misleading given the lack of adequate advertising disclosure.

We will also consider other types of misleading or deceptive conduct identified during the sweep which do not relate to disclosure issues but are relevant to our overall assessment.

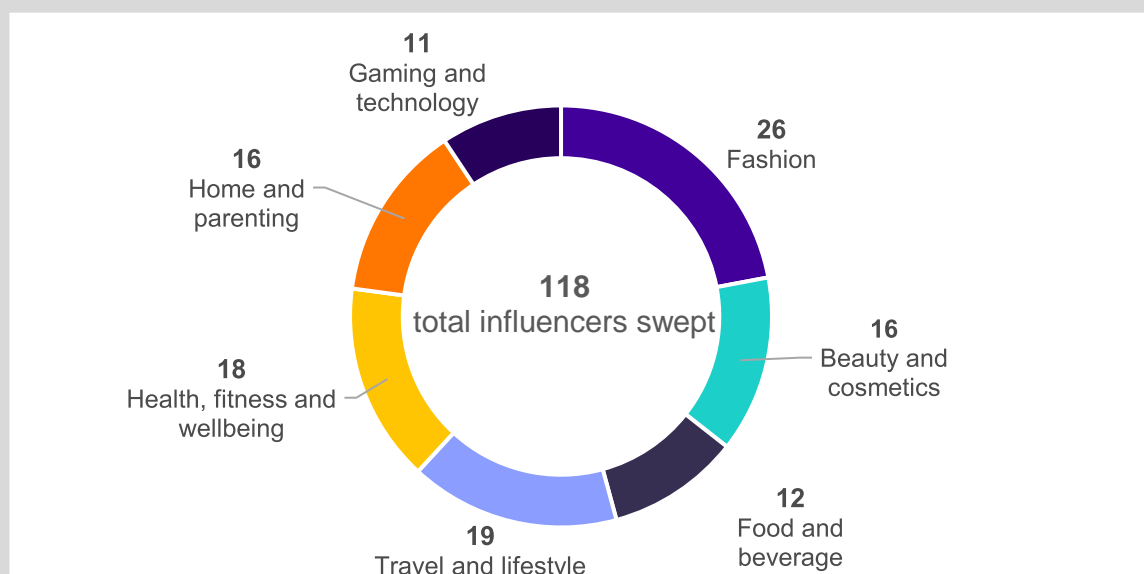
A short public report will be issued in 2023 containing further detail on sweep results. Various education, compliance and potential enforcement activities will also be conducted by the ACCC based on issues identified from the sweep.

A key component of these follow-up activities will include industry engagement and guidance to improve compliance. Importantly, these follow-up activities will not be limited to addressing concerning conduct by individual influencers, but also focus on the role of brands, advertisers, marketing firms and social media platforms in facilitating misconduct. For example, where patterns have been identified in the brands, advertisers, marketing firms and platforms involved in concerning conduct during the sweep, we will also target these entities.

Box 5.2 Key findings – ACCC influencer sweep

The ACCC swept a total of 118 influencers for signs of misleading social media advertising. Figure 5.1 below depicts the number of influencers that were swept per sector, noting that the chart below represents the *primary* sector that each influencer operates in. For example, while fashion influencers also often promote beauty and cosmetic products, they would be categorised as a fashion influencer for the purposes of the graph below if the greatest proportion of their social media posts were about fashion brands rather than beauty items.

Figure 5.1 Breakdown of influencers swept



Concerns identified

Across the above sectors, the ACCC identified a total of 81% of influencer posts as concerning and in need of follow-up action. The overwhelming majority of these concerns related to:

- Influencers not properly disclosing whether they are receiving a payment, gift or other incentive in exchange for promoting a business in their posts. Common examples of this included influencers tagging brands in posts, product placement in photos or videos, vague disclosures (such as thanking brands) and the use of promotional/discount codes or website referral links in posts. Although these factors may suggest a commercial arrangement between the influencer and brand, without explicit disclosure of this a consumer may be misled into thinking it is a genuine endorsement. The influence that these endorsements yield over consumers is also demonstrated by the number of comments observed on posts confirming that consumers wanted to buy products, or had bought products, due to the influencer's post about that item. It was also observed that disclosures were less common in temporary or short-form videos/photos.
- Influencers disclosing advertising but this disclosure is not clear or prominent. Examples of this included influencers using #ad, #gifted or #sponsored content labels at the bottom of lengthy captions, so consumers would be required to press 'click more' on posts to view these disclosures. Other posts contained disclosures that were hard to read or not noticeable (i.e., using #ad in small white font on a white background, or using variations on common disclosure tools such as #sponcon or <ad> without the hashtag).

Concerns identified – Top 3 sectors

While there were potential non-disclosure issues identified across all sectors, some had higher rates of concerning conduct than others. These sectors include:

1



Fashion

- 96% of fashion influencers swept made concerning posts.
- The most common platforms used by fashion influencers to promote goods included Instagram and TikTok and often took the form of shopping or 'get ready with me' style videos or photo series posts.
- The most common brands involved in potentially misleading posts were 'fast fashion' brands targeted at younger consumer demographics.

2



Home and parenting

- 81% of home and parenting influencers swept made concerning posts.
- The most common concern identified was influencers displaying products in posts, and tagging household goods, furniture and children's brands and products without disclosing if this was sponsored content.
- Parenting influencers commonly featured their children in promotional posts (or managed accounts on behalf of their children).

3



Travel and lifestyle

- 79% of travel and lifestyle influencers swept made concerning posts.
- The most common concern identified was influencers promoting travel services and destinations without disclosing if these trips had been gifted, discounted or incentivised.
- Travel and lifestyle influencing is particularly popular with niche influencers with smaller followings who use their local knowledge of regions to promote businesses operating in that area.

5.2.3. Other regulatory action in Australia

Financial influencers

In 2021, the Australian Securities and Investments Commission (ASIC) young people and money survey found that 28% of 15–21 year olds follow at least one financial influencer on social media. 64% of young people who follow a financial influencer reported changing at least one of their financial behaviours as a result.⁷¹⁴ Given the increasing reach of financial influencers on social media, ASIC put influencers on notice, warning they could face imprisonment and A\$1 million fines if they do not obtain a financial services licence or cease providing financial advice online.⁷¹⁵

ASIC also released guidance which clarifies the instances where influencers are likely to be seen as providing financial product advice, and whether they must be authorised under an Australian Financial Services licence.⁷¹⁶

Therapeutic goods

Advertisements for therapeutic goods must comply with the advertising requirements set out in the *Therapeutic Goods Act 1989* (Cth) and the Therapeutic Goods Advertising Code 2021. Advertisements must not contain a testimonial from anyone who has received 'valuable consideration' for making the testimonial or for marketing the goods.⁷¹⁷ This includes social media influencers, bloggers and brand ambassadors. Social media advertising of therapeutic goods is therefore in line with regulations that apply to radio, TV and other mediums.

The Therapeutic Goods Administration has also developed a social media advertising guide to assist advertisers in applying the legislative requirements for advertising therapeutic goods on social media platforms.⁷¹⁸

Gifts

In January 2023, the Australian Taxation Office (ATO) issued a warning to influencers who fail to report sponsorships or gifts received in exchange for advertisements as part of their income. The ATO announced it would use data matching technologies to detect undeclared luxury gifts, including free clothing, appliances, cosmetics, holidays and event entry by influencers who shared content featuring these types of non-cash benefits.⁷¹⁹

⁷¹⁴ ASIC, [Young people and money – survey snapshot](#), December 2021.

⁷¹⁵ Australian Financial Review, [ASIC warns influencers: get a licence or risk five years' jail](#), 21 March 2022, accessed 14 March 2023.

⁷¹⁶ ASIC, [ASIC issues information for social media influencers and licencees](#), 21 March 2022, accessed 14 March 2023.

⁷¹⁷ 'Valuable consideration' is what is given to a person in exchange for a testimonial or for them to otherwise advertise or market the good. Examples can include cash payment, provision of services, gifts, discounts on products, free products, flights, accommodation and promises of a future benefit. See Therapeutic Goods Administration, [Testimonials and endorsements in advertising](#), 26 May 2022, accessed 14 March 2023.

⁷¹⁸ Therapeutic Goods Administration, [TGA social media advertising guide](#), 31 March 2022, accessed 14 March 2023.

⁷¹⁹ The Daily Telegraph, [ATO vows to crack down on glam 'influencers' and their gifts](#), 8 January 2023, accessed 14 March 2023.

Cosmetic surgery

In October 2022 the Medical Board of Australia and the Australian Health Practitioner Regulation Agency (AHPRA) announced changes to the way cosmetic surgery can be advertised. This followed an independent review of the regulation of medical practitioners who perform cosmetic surgery. The final report made 16 recommendations to improve patient safety in the cosmetic surgery sector, including the development of specific guidelines for medical practitioners who advertise cosmetic surgery.⁷²⁰ Most notably, these would:

- prohibit the targeting of young people or other groups at greater risk of harm with advertising, including through algorithms and other marketing technology
- confirm that practitioners who enter into arrangements with social media influencers are responsible for any advertising content delivered by them and must ensure that advertising complies with all guidelines for advertising, including the ban on testimonials.

Consultation on the draft guidelines occurred in 2022, and it is expected they will be released shortly. The Medical Board and AHPRA will monitor medical practitioner and advertiser compliance against these new guidelines, along with existing laws and guidelines.

Other jurisdictions, including the UK and France, have also taken recent regulatory action in relation to advertising on social media.

⁷²⁰ Australian Health Practitioner Regulation Agency and the Medical Board of Australia, [Independent review of the regulation of medical practitioners who perform cosmetic surgery](#), August 2022.

Box 5.3 UK Competition and Markets Authority action to address non-disclosure of advertising material on platforms

In January 2019, 16 individual influencers provided undertakings to the UK Competition and Markets Authority to improve disclosures in their social media posts to make it clear when they have been paid or otherwise incentivised to endorse a product or service.⁷²¹

Following concerns from the UK Competition and Markets Authority, in 2020 Instagram signed an undertaking to do more to prevent 'hidden' advertising on the platform.⁷²²

On 3 November 2022, the UK Competition and Markets Authority published Compliance principles for social media platforms,⁷²³ outlining what the UK Competition and Markets Authority considers platforms should be doing to comply with consumer protection law and how it requires platforms to be proactive in tackling hidden advertising. The UK Competition and Markets Authority considers that social media platforms are more likely to comply with the requirements of consumer law and reduce the risk of future enforcement action if they implement these principles. The UK Competition and Markets Authority has also published guidance for content creators⁷²⁴ and businesses⁷²⁵ to help them understand their obligations.

Box 5.4 Influencer compliance with consumer protection and advertising laws in France

In January 2023, the French Directorate General for Competition, Consumer Affairs and Fraud Control published a report which found that 60% of influencers in France were not complying with existing consumer protection and advertising laws.

The French National Assembly is considering (as of February 2023) several bills seeking to impose obligations on content creators and social media platforms to regulate influencer activity. The proposed regulations would include prohibitions on the promotion of 'sensitive' products like pharmaceuticals and financial investments, and would afford expanded controls, such as the ability to sanction influencers, to relevant authorities.

Under the proposed regulations, social media platforms operating in France may be required to:

- inform users about prohibited commercial practices and their risks
- implement a mechanism allowing any person to report illegal commercial practices

⁷²¹ UK Competition and Markets Authority, [Celebrities pledge to clean up their act on social media](#), 23 January 2019, 14 March 2023.

⁷²² See UK Competition and Markets Authority, [Instagram to tackle hidden advertising after CMA action](#), 16 October 2020. As part of the undertaking, Instagram committed to prompt users to confirm whether they have been incentivised in any way to promote a product or service, and if so, to disclose this fact clearly, extend its 'paid partnership' tool to all users, enabling them to display a clear label at the top of a post, and use technology and algorithms to spot when users might not have disclosed their post is an ad.

⁷²³ UK Competition and Markets Authority, [Hidden ads: Principles for social media platforms](#), 3 November 2022, accessed 16 March 2023.

⁷²⁴ UK Competition and Markets Authority, [Content creators and social media endorsements](#), 23 January 2019, accessed 16 March 2023.

⁷²⁵ UK Competition and Markets Authority, [Businesses and social media endorsements](#), 3 November 2022, accessed 16 March 2023.

- publish an annual report on their content moderation efforts, such as number of complaints received and measures taken in response
 - communicate useful information to administrative authorities to prevent the spread of misleading advertising
 - promptly withdraw content upon request by administrative authorities
- affix a public disclaimer on accounts which have violated the consumer code, detailing their non-compliance activities.⁷²⁶

5.3. Influencer revenue

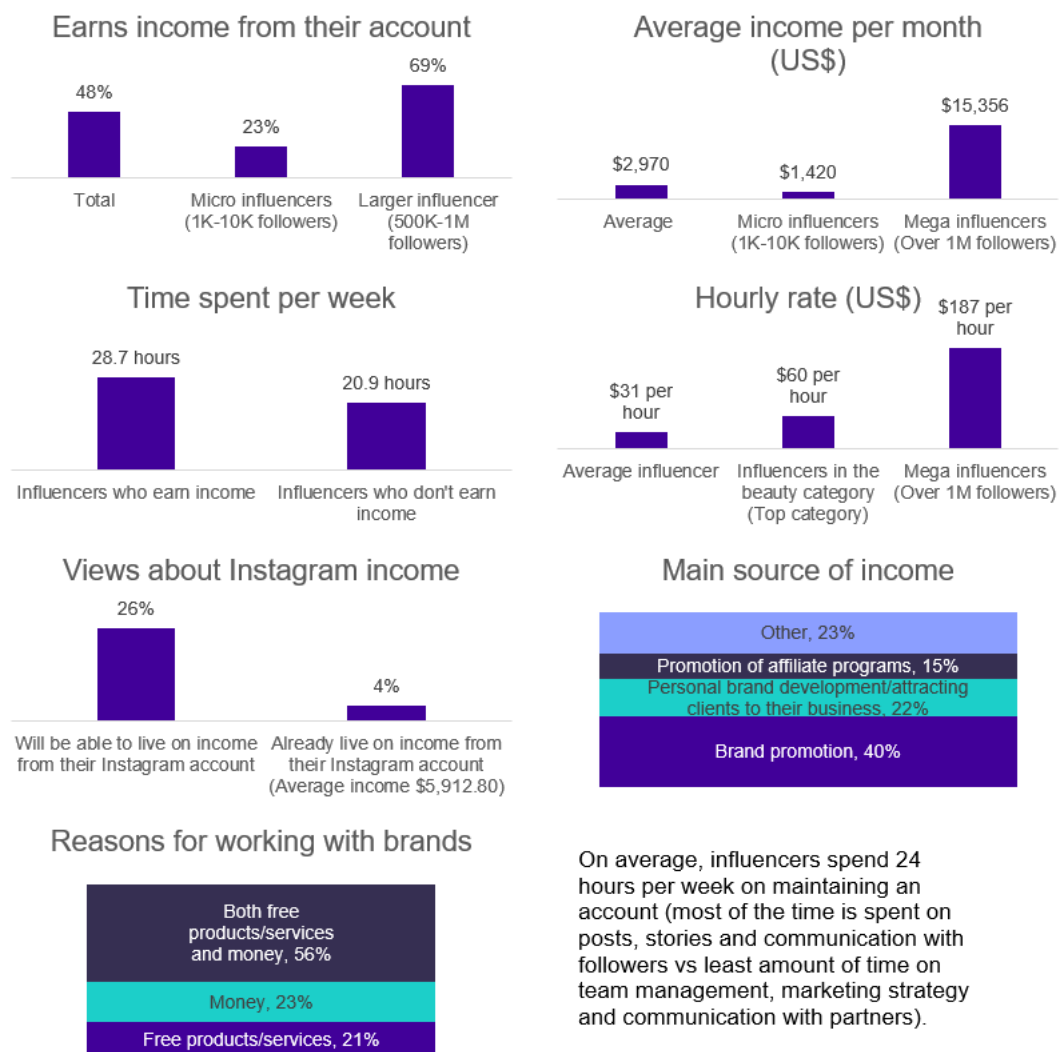
Influencers are mostly self-employed and often receive unpredictable revenue streams and experience a lack of employment protections.⁷²⁷ As the industry is new and emerging, there is a broader lack of understanding and consensus about the standards for determining pay rates in marketing arrangements between influencers and brands, and it may often be difficult to place a value on an influencer profile.⁷²⁸ Research conducted by Hype Auditor in 2021 outlines several trends related to influencer income, summarised in figure 5.2 below.

⁷²⁶ H Lovells, '[Regulation of influencers: towards new obligations for online platforms operating in France?](#)', *Lexology*, 10 February 2023, accessed 3 March 2023.

⁷²⁷ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 19.

⁷²⁸ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 19.

Figure 5.2 – HypeAuditor Influencer Income Survey⁷²⁹



In Australia, research conducted by The Australian newspaper shows that:⁷³⁰

- Influencers with millions of followers have made up to A\$10,000 for a single TikTok post.
- Influencers with 25,000 to 50,000 social media followers can make between A\$10,000 to \$20,000 in one month.
- The average micro-influencer (influencers with up to 100,000 followers) has 18,519 Instagram followers and makes A\$306 for a post or story; and has 153,567 TikTok followers and makes A\$557 for a post.

⁷²⁹ Hype, [Our survey data of 1865 Instagram influencers](#), 2021, accessed 14 March 2023.

⁷³⁰ The Australian, [How much influencers are really paid](#), 25 August 2022, accessed 14 March 2023.

5.4. Influencers face online harassment

Many influencers face significant online harassment and abuse. Female influencers attract a higher level of abuse than male influencers, and physical appearance is reported as a common topic of abusive messages received.⁷³¹ Abuse may be exacerbated by negative perceptions of influencing as a career.⁷³² It may also be exacerbated by the use of boosted content tools that share an influencer's content with a wider audience. As a result, influencers may face bullying via direct messages from people who have viewed their content when it surfaced in their feed, but they have otherwise not actively chosen to follow or engage with.⁷³³ Influencers with large communities of followers may be classified by major platforms as 'public figures', which afford them fewer protections from public commentary. For example, Facebook's Community Standards⁷³⁴ note in some cases, they allow content which would otherwise go against the standards if it is considered newsworthy and in the public interest.⁷³⁵

There have been improvements in the amount of abusive content platforms can detect and proactively remove using technology,⁷³⁶ and platforms have bullying and harassment policies in place that allow users to self-report content that contravenes their respective community guidelines.⁷³⁷ However, despite these improvements, the level of abuse that influencers receive remains considerable.⁷³⁸

The House Select Committee Inquiry into Social Media and Online Safety considered issues relating to online harassment, recommending a further inquiry into technology-facilitated abuse.⁷³⁹

The Office of the eSafety Commissioner (eSafety) has published information about how to report online harassment.⁷⁴⁰ It also provides support to vulnerable communities online. For example, eSafety's Women In The Spotlight initiative offers training and programs to assist female public figures and victims of abuse address online harassment.⁷⁴¹

5.5. Children as influencers

Child influencers, sometimes referred to as 'kidfluencers', are children who feature in online content across social media platforms, often earning income through sponsorships and partnerships with brands. Given most social media platforms require

⁷³¹ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 10.

⁷³² House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 10.

⁷³³ AiMCO, [Submission to the Report](#), 12 October 2022, p 10.

⁷³⁴ Meta, [Facebook Community Standards](#), accessed 14 March 2023.

⁷³⁵ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, pp 9-10.

⁷³⁶ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 10.

⁷³⁷ See Instagram, [How to report things](#); Facebook, [Reporting abuse](#); TikTok, [Report a problem](#); Snapchat, [How to report abuse on Snapchat](#); Twitter, [Report abusive behaviour](#); and Pinterest, [Report harassment](#), accessed 14 March 2023.

⁷³⁸ House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction?](#) April 2022, p 10.

⁷³⁹ See recommendation 7, House of Representatives Select Committee on Social Media and Online Safety, [Social Media and Online Safety Inquiry Report](#), p xi.

⁷⁴⁰ eSafety, [eSafety Guide](#), accessed 15 February 2023.

⁷⁴¹ eSafety, [Women In The Spotlight](#), accessed 15 February 2023.

users to be at least 13 years old to create their own account, accounts are often created and managed by parents.⁷⁴²

This type of content may result in increased privacy risks to children, including through inadvertent sharing of location and personal information online, such as details of a child's school.⁷⁴³ eSafety has published information for parents to assist in keeping their children safe online, including tips to avoid sharing photos and videos that contain personal details or identifying features.⁷⁴⁴ eSafety also encourages industry to set children's accounts to higher privacy settings by default. Children are also more vulnerable to psychological harms that come with maintaining an influencer profile, including online harassment and the pressure to continue creating content, especially if driven by a parent's financial incentive.⁷⁴⁵

The UK House of Commons report found child influencers are not protected under the UK's child labour laws, which excludes user-generated content. As a result, child influencers may be subject to labour arrangements that would be illegal in other industries. Children have no legal right to their earnings and there is no mechanism to oversee what use parents make of often considerable income from this type of content.⁷⁴⁶ In response to these findings, the UK Government acknowledged these regulatory gaps and noted the UK Department of Education are open to exploring what legislative options may provide children with greater protection.⁷⁴⁷

In 2020, France introduced protections for young content creators, including regulating the hours those under 16 years can work online, enshrining the 'right to be forgotten' by requiring platforms to take down content at the child's request, and requiring that earnings be placed in a bank account until they turn 16.⁷⁴⁸

Similar concerns have been raised in Australia regarding a current lack of protections for young Australian content creators.⁷⁴⁹

⁷⁴² UK House of Commons Digital, Culture, Media and Sports Committee: [Influencer culture: Lights, camera, inaction? Twelfth Report of Session 2021-22](#). 26 April 2022, p 41.

⁷⁴³ UK House of Commons Digital, Culture, Media and Sports Committee: [Influencer culture: Lights, camera, inaction? Twelfth Report of Session 2021-22](#). 26 April 2022, p 42.

⁷⁴⁴ eSafety, [Privacy and your child](#), accessed 15 February 2023.

⁷⁴⁵ UK House of Commons Digital, Culture, Media and Sports Committee: [Influencer culture: Lights, camera, inaction? Twelfth Report of Session 2021-22](#). 26 April 2022, p 42.

⁷⁴⁶ UK House of Commons Digital, Culture, Media and Sports Committee: [Influencer culture: Lights, camera, inaction? Twelfth Report of Session 2021-22](#). 26 April 2022, pp 44–46.

⁷⁴⁷ UK House of Commons Digital, Culture, Media and Sports Committee, [Influencer culture: Lights, camera, inaction? Government Response to the Committee's Twelfth Report of Session 2021-22](#), 6 September 2022, p 1.

⁷⁴⁸ BBC, [France passes new law to protect child influencers](#), 7 October 2020.

⁷⁴⁹ ABC, [Child influencers are becoming more common in Australia but who is looking after their rights?](#) 16 August 2022.

Appendix A – Other Australian regulators, legislation and self-regulation

DP-REG

The Digital Platform Regulators Forum (DP-REG) comprises the ACCC, the Australian Communications and Media Authority (ACMA), the Office of the Australian Information Commissioner (OAIC) and the Office of the eSafety Commissioner (eSafety). DP-REG was established in 2022 as an avenue for Australian regulators to share information about, and collaborate on, intersecting activities relating to the regulation of digital platforms. This includes consideration of the interactions between competition, consumer protection, privacy, online safety, data and media regulation.

Digital Platform Regulators Forum (DP-REG)

DP-REG is an initiative of Australian independent regulators to share information about, and collaborate on, cross-cutting issues and activities on the regulation of digital platforms. This includes consideration of how competition, consumer protection, privacy, online safety, and data issues intersect.

Members' remits and perspectives

The Office of the Australian Information Commissioner (OAIC) promotes and upholds privacy and information access rights.

Digital platforms areas of focus: Privacy compliance and enforcement, high privacy impact technologies, social media, Notifiable Data Breaches scheme, transparency and organisational accountability, security of personal information, influencing the privacy regulatory landscape.

The eSafety Commissioner (eSafety) is Australia's regulator for online safety.

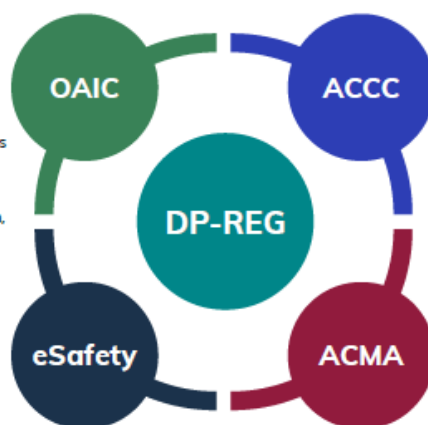
Digital platforms areas of focus: Complaints handling for online harms, industry codes and standards for harmful online material, Basic Online Safety Expectations (BOSE), Safety by Design, emerging tech trends and issues.

The Australian Competition and Consumer Commission (ACCC) promotes competition, fair trading, consumer protection and regulates national infrastructure.

Digital platforms areas of focus: competition and consumer enforcement, the Digital Platforms Inquiry, the Digital Platform Services Inquiry, Consumer Data Right and scams.

The Australian Communications and Media Authority (ACMA) regulates communications and media services.

Digital platforms areas of focus: Disinformation and misinformation, News Media Bargaining Code, gambling and spam.



Intersections

Each regulator brings an important and distinct lens based on their different remits to intersecting issues on digital platforms. Collaboration and coordination on these topics ensures a proportionate response and a shared focus on improving our digital economy by making it a safe, trusted, fair, innovative and competitive space.



Responsibilities of each DP-REG member

The DP-REG is not a decision-making body and has no bearing on members' existing regulatory powers, legislative functions or responsibilities, some of which are set out below.

The eSafety Commissioner

The Office of the eSafety Commissioner (eSafety) is Australia's independent regulator for online safety. eSafety is responsible for administering the [Online Safety Act 2021](#) (Cth),

which came into effect in January 2022 and provides eSafety with improved powers to help protect Australians from the most serious forms of online harm.

This includes administering complaints and investigation schemes for 4 types of online harms: [cyberbullying of children](#), [cyber abuse of adults](#), the [non-consensual sharing of intimate images](#), and [illegal or restricted online content](#). It also provides eSafety with powers to regulate digital platforms' broader systems and processes through the [Basic Online Safety Expectations](#) (BOSE) and the development of co-regulatory [industry codes](#) with 8 sectors of the online industry.

eSafety also promotes its [Safety By Design](#) initiative, which includes voluntary guidance material and tools developed by eSafety in collaboration with industry to enable companies to lift their safety capabilities. The initiative is underpinned by principles of responsibility, user empowerment and autonomy, and transparency and accountability.

OAIC

The OAIC is an independent agency responsible for privacy, freedom of information and government information policy. The OAIC regulates the Privacy Act which applies to private sector organisations operating in Australia with an annual turnover of more than A\$3 million, Australian Government agencies and some other organisations.⁷⁵⁰ The OAIC also has a range of responsibilities under other laws.

The *Privacy Act 1988 (Cth)* contains the Australian Privacy Principles (APPs), which outline how entities are permitted to handle personal information. The APPs are technology neutral and apply to the handling of personal information in both online and offline environments. The obligations in the APPs are structured to reflect privacy obligations across the information lifecycle, as entities collect, hold, use, disclose, and destroy or de-identify personal information.

The Privacy Act also contains the Notifiable Data Breaches scheme which requires entities covered by the Privacy Act to notify the OAIC and affected individuals if they experience a data breach involving personal information that is likely to result in serious harm.

The Privacy Act confers on the Information Commissioner a range of privacy regulatory powers directed towards protecting the privacy of individuals by ensuring the proper handling of personal information. These include powers that allow the OAIC to work with entities to facilitate legal compliance and best privacy practice, as well as investigative and enforcement powers to use in cases where a privacy breach has occurred.⁷⁵¹

⁷⁵⁰ The current Privacy Act covers some organisations regardless of turnover including, but not limited to, organisations that disclose personal information about an individual for a benefit, service or advantage, health service providers, contractors that provide services under a Commonwealth contract and small business operators that are accredited under the Consumer Data Right system. See OAIC, [Small business](#), accessed 15 February 2023.

⁷⁵¹ The OAIC's Privacy regulatory action policy and Guide to privacy regulatory action set out the OAIC's approach to using its privacy regulatory powers. See OAIC, [Privacy regulatory action policy](#), December 2022; OAIC, [Guide to privacy regulatory action](#), January 2023.

Privacy Act Review

The Privacy Act Review was announced in December 2019 and was led by the Attorney-General's Department. The review followed recommendations for privacy reform in Australia made in the DPI Final Report.

An [Issues Paper](#) outlining current privacy laws and seeking feedback on potential issues relevant to reform was published in October 2020. A [Discussion paper](#) was released in October 2021 and sought feedback on possible options for reform. 207 responses received have now been published. The [Privacy Act Review Report](#) was published in February 2023.

While a number of the 116 proposals included in the Privacy Act Review Report are relevant to social media services in Australia, we have included the following proposals given their potential to address consumer harms associated with data collection and use discussed in this report:

Proposal 12.1: Amend the Act to require that the collection, use and disclosure of personal information must be fair and reasonable in the circumstances. It should be made clear that the fair and reasonable test is an objective test to be assessed from the perspective of a reasonable person.

Proposal 12.2: In determining whether a collection, use or disclosure is fair and reasonable in the circumstances, the following matters may be taken into account:

- whether an individual would reasonably expect the personal information to be collected, used or disclosed in the circumstances
- the kind, sensitivity and amount of personal information being collected, used or disclosed
- whether the collection, use or disclosure is reasonably necessary for the functions and activities of the organisation or is reasonably necessary or directly related for the functions and activities of the agency
- the risk of unjustified adverse impact or harm
- where the impact on privacy is proportionate to the benefit
- if the personal information relates to a child, whether the collection, use or disclosure of the personal information is in the best interests of the child
- the objects of the Act.

As noted in section 4.2.1, the ACCC's submission to the Privacy Act Review recommends the OAIC develop guidance material to elaborate on any additional protections for children. The ACCC's submission states that this guidance should include, at a minimum:

- the criteria social media platforms would be required to use when determining whether collection of a child's data is 'fair and reasonable in the circumstances' and considering the best interests of the child
- where the organisation's business model is advertiser funded and relies on personal information, whether there are some types of information that would not be fair and reasonable to use in an advertising context, considering the best interests of the child
- what would constitute 'all reasonable steps' having been taken in relation to verifying the age of social media users

- where a social media user is under the age of 16, what would constitute ‘all reasonable steps’ having been taken to verify that any consent provided was provided by a parent or guardian.⁷⁵²

Chapter 16 of the Privacy Act Review Report focuses on children’s privacy and notes children may be particularly vulnerable to online privacy harms despite not being currently mentioned in the Act. It makes several key recommendations on child-specific privacy protections, in particular:

Proposal 16.5: Introduce a Children’s Online Privacy Code that applies to online services that are ‘likely to be accessed by children’. To the extent possible, the scope of an Australian children’s online privacy code could align with the scope of the UK Age Appropriate Design Code, including its exemptions for certain entities including preventative or counselling services.

The code developer should be required to consult broadly with children, parents, child development experts, child-welfare advocates and industry in developing the Code. The eSafety Commissioner should also be consulted.

The substantive requirements of the Code could address how the best interests of child users should be supported in the design of an online service, including:

- whether, in the context of online services that are likely to be accessed by children, specific requirements are needed for assessing capacity
- whether certain collections, uses and disclosures of children’s personal information should be limited
- which default privacy settings should be in place for children that use online services
- whether entities should be required to ‘establish age with a level of certainty that is appropriate to the risks’ or apply the standards in the Children’s Code to all users instead
- how privacy information (including collection notices and privacy policies) and tools that enable children to exercise privacy rights (including erasure requests) should be designed to improve accessibility for children
- if parental controls are provided, how to balance the protection of the child with a child’s right to autonomy and privacy from their parents in certain circumstances.

Chapter 20 of the Privacy Act Review Report also considers direct marketing, targeting and trading, and makes the following proposals in relation to children:

Proposal 20.5: Prohibit direct marketing to a child unless the personal information used for the direct marketing was collected directly from the child and the direct marketing is in the child’s best interests.

Proposal 20.6: Prohibit targeting to a child, with an exception for targeting that is in the child’s best interests.

Proposal 20.7: Prohibit trading in the personal information of children.

⁷⁵² ACCC, [Privacy Act Review Discussion Paper Submission](#), December 2021, p 3.

The ACMA

The ACMA is an independent statutory authority responsible for regulating communications and media services in Australia.

As discussed in section 4.5, the ACMA is responsible for advising the Government on the effectiveness of the [Australian Code of Practice on Disinformation and Misinformation](#). The Minister for Communications announced in January 2023 that the ACMA will continue to monitor the platforms' response to the spread of misinformation and disinformation, bolstered by new regulatory powers, including information gathering and reserve code-making powers, providing government with the option of acting quickly to address potential harms if platform responses are not adequate or timely.⁷⁵³

Self-regulation in the advertising industry

AANA

Advertising in Australia is subject to a system of self-regulation, overseen by the Australian [Australian Association of National Advertisers](#) (AANA). The AANA [Code of Ethics](#) applies to all advertisers and sets standards for advertising, including on social media. The Code of Ethics and accompanying [Code of Ethics Practice Note](#) stipulate that advertising must be clearly distinguishable as such.⁷⁵⁴

The AANA Code of Ethics is supplemented by a [Code of Advertising and Marketing to Children](#), [Food and Beverage Advertising Codes](#), [Environmental Claims Code](#) and [Wagering Advertising Code](#).

The Wagering Advertising Code is discussed in box 4.6 and stipulates that advertising or marketing communication for a wagering product or service:

- must not be directed primarily to minors (section 2.1)
- must not depict a person aged 18–24 years old engaged in wagering activities (section 2.3)
- must not portray, condone or encourage wagering in combination with the consumption of alcohol (section 2.4)
- must not state or imply a promise of winning (section 2.5)
- must not portray, encourage or condone participation in wagering activities as a means of relieving a person's financial or personal difficulties (section 2.6)
- must not state or imply a link between wagering and sexual success or enhanced attractiveness (section 2.7)
- must not portray, condone or encourage excessive participation in wagering activities (section 2.8)

⁷⁵³ The Hon Michelle Rowland MP, [New ACMA powers to combat harmful online misinformation and disinformation](#), 20 January 2023, accessed 27 February 2023.

⁷⁵⁴ Regarding influencer advertising, the [AANA Code of Ethics Practice Note](#), February 2021 states: *Influencer and affiliate marketing often appears alongside organic/genuine user generated content and is often less obvious to the audience. Where an influencer or affiliate accepts payment of money, or free products or services from a brand in exchange for them to promote that brand's products or services, the relationship must be clear, obvious and upfront to the audience and expressed in a way that is easily understood (for example, #ad, Advert, Advertising, Branded Content, Paid Partnership, Paid Promotion). Less clear labels such as #sp, Spon, gifted, Affiliate, Collab, thanks to... or merely mentioning the brand name may not be sufficient to clearly distinguish the post as advertising.*

- must neither portray, condone or encourage peer pressure to wager nor disparage abstention from wagering activities (section 2.9).

Ad Standards

[Ad Standards](#) handles consumer complaints about advertising, including on social media. Ad Standards note that complaints about advertising on social media are increasing each year, and in 2021 they made up 8.4% of all complaints received.⁷⁵⁵ Instagram was the most complained about service, followed by Facebook.⁷⁵⁶

Complaints are considered by the [Ad Standards Community Panel](#), and the panel's decisions are [published](#) on the Ad Standards website. The panel's decisions are not enforceable by Ad Standards, however we understand Ad Standards often works directly with the platforms to seek the removal of non-compliant content and may refer matters to the ACCC.

AiMCO

The [Australian Influencer Marketing Council](#) (AiMCO) was established in 2019 at the request of members of the Australian advertising industry seeking assistance with best practice for influencer marketing.⁷⁵⁷ Through their Best Practice Working Group, AiMCO developed the [Australian Influencer Marketing Code of Practice](#), which provides guidance to those working in the Australian influencer marketing sector. The Code of Practice is voluntary and aims to align with the codes and standards of other relevant industry bodies, including the AANA Code of Ethics.

The Code of Practice stipulates that influencer advertising disclosures:

- should include words or hashtags #Ad or #Sponsored in relevant platforms, or be identified verbally in video formats (section 2.1)
- should make advertising content clearly distinguishable from organic content posted to the influencer's account (section 2.3)
- should be used when there is an engagement or relationship with an influencer, or where a brand has in some way solicited or enticed an influencer to promote the brand or its products or services (section 2.4)
- should be easy to understand, unambiguous and timely (section 2.4a)
- should appear prominently within the post, be easily visible on first glance and easily understood (section 2.4c)
- should include use of native brand partnership tools where available (section 2.4d)
- are required for gift or value-in-kind engagements (section 2.5).

⁷⁵⁵ Given many consumers may not be aware of the existence of Ad Standards as a complaints handling body, it is likely the number of complaints about advertising on social media is much higher.

⁷⁵⁶ Ad Standards, [Submission to the Report](#), 12 October 2022, p 2.

⁷⁵⁷ AiMCO is Australia's peak industry association for the growing market sector of influencer marketing. The sector is currently comprised of influencers, talent representatives and managers, media and PR agencies and advertisers and brands engaging industry participants.

Appendix B – Ministerial Direction



Competition and Consumer (Price Inquiry— Digital Platforms) Direction 2020

I, Josh Frydenberg, Treasurer, give the following direction to the Australian Competition and Consumer Commission.

Dated: 10 February 2020

Josh Frydenberg
Treasurer

Authorised Version F2020L.00130 registered 14/02/2020

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Part 1—Preliminary

1 Name

This instrument is the *Competition and Consumer (Price Inquiry—Digital Platforms) Direction 2020*.

2 Commencement

- (1) Each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this instrument	The day after this instrument is registered.	

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

- (2) Any information in column 3 of the table is not part of this instrument. Information may be inserted in this column, or information in it may be edited, in any published version of this instrument.

3 Authority

This instrument is made under the *Competition and Consumer Act 2010*.

4 Definitions

Note: Expressions have the same meaning in this instrument as in the *Competition and Consumer Act 2010* as in force from time to time—see paragraph 13(1)(b) of the *Legislation Act 2003*.

In this instrument:

Australian law means a law of the Commonwealth, a State, or a Territory (whether written or unwritten).

data broker means a supplier who collects personal or other information on persons, and sells this information to, or shares this information with, others.

digital content aggregation platform means an online system that collects information from disparate sources and presents it to consumers as a collated, curated product in which users may be able to customise or filter their aggregation, or to use a search function.

digital platform services means any of the following:

- (a) internet search engine services (including general search services and specialised search services);

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- (b) social media services;
- (c) online private messaging services (including text messaging; audio messaging and visual messaging);
- (d) digital content aggregation platform services;
- (e) media referral services provided in the course of providing one or more of the services mentioned in paragraphs (a) to (d);
- (f) electronic marketplace services.

electronic marketplace services means a service (including a website, internet portal, gateway, store or marketplace) that:

- (a) facilitates the supply of goods or services between suppliers and consumers; and
- (b) is delivered by means of electronic communication; and
- (c) is *not* solely a carriage service (within the meaning of the *Telecommunications Act 1997*) or solely consisting of one or more of the following:
 - (i) providing access to a payment system;
 - (ii) processing payments.

exempt supply has the meaning given by subsection 95A(1) of the Act.

goods has the meaning given by subsection 95A(1) of the Act.

inquiry has the meaning given by subsection 95A(1) of the Act.

services has the meaning given by subsection 95A(1) of the Act.

State or Territory authority has the meaning given by subsection 95A(1) of the Act.

supply has the meaning given by subsection 95A(1) of the Act.

the Act means the *Competition and Consumer Act 2010*.

Part 2—Price inquiry into supply of digital platform services

5 Commission to hold an inquiry

- (1) Under subsection 95H(1) of the Act, the Commission is required to hold an inquiry into the markets for the supply of digital platform services. The inquiry is *not* to extend to any of the following:
 - (a) the supply of a good or service by a State or Territory authority;
 - (b) the supply of a good or service that is an exempt supply;
 - (c) reviewing the operation of any Australian law (other than the Act) relating to communications, broadcasting, media, privacy or taxation;
 - (d) reviewing the operation of any program funded by the Commonwealth, or any policy of the Commonwealth (other than policies relating to competition and consumer protection).
- (2) For the purposes of subsection 95J(1), the inquiry is to be held in relation to goods and services of the following descriptions:
 - (a) digital platform services;
 - (b) digital advertising services supplied by digital platform service providers;
 - (c) data collection, storage, supply, processing and analysis services supplied by:
 - (i) digital platform service providers; or
 - (ii) data brokers.
- (3) Under subsection 95J(2), the inquiry is not to be held in relation to the supply of goods and services by a particular person or persons.

6 Directions on matters to be taken into consideration in the inquiry

Under subsection 95J(6) of the Act, the Commission is directed to take into consideration all of the following matters in holding the inquiry:

- (a) the intensity of competition in the markets for the supply of digital platform services, with particular regard to:
 - (i) the concentration of power in the markets amongst and between suppliers; and
 - (ii) the behaviour of suppliers in the markets, including:
 - (A) the nature, characteristics and quality of the services they offer; and
 - (B) the pricing and other terms and conditions they offer to consumers and businesses; and

Example: Terms and conditions relating to data collection and use.
 - (iii) changes in the range of services offered by suppliers, and any associated impacts those changes had or may have on other markets; and
 - (iv) mergers and acquisitions in the markets for digital platform services; and

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- (v) matters that may act as a barrier to market entry, expansion or exit, and the extent to which those matters act as such a barrier;
- (b) practices of individual suppliers in the markets for digital platform services which may result in consumer harm, including supplier policies relating to privacy and data collection, management and disclosure;
- (c) market trends, including innovation and technology change, that may affect the degree of market power, and its durability, held by suppliers of digital platform services;
- (d) changes over time in the nature of, characteristics and quality of digital platform services arising from innovation and technological change;
- (e) developments in markets for the supply of digital platform services outside Australia.

7 Directions as to holding of the inquiry

- (1) Under subsection 95J(6) of the Act, the Commission is directed to do the following in holding the inquiry:
 - (a) regularly monitor the markets for the supply of digital platform services for changes in the markets, particularly focussing on the matters referred to in section 6 of this instrument; and
 - (b) give to the Treasurer an interim report on the inquiry by 30 September 2020, and then further interim reports every 6 months thereafter, on:
 - (i) any changes observed by the Commission in the markets since the last report; and
 - (ii) any other matter, within the scope of the inquiry, the Commission believes appropriate.
- (2) Under subsection 95P(3) of the Act, the Commission is directed not to make available for public inspection, copies of any interim report until the Treasurer, in writing, authorises the Commission to do so.

8 Period for completing the inquiry

For the purposes of subsection 95K(1) of the Act, the inquiry is to be completed, and a report on the matter of inquiry given to the Treasurer, by no later than 31 March 2025.