



Submission in response to the Digital Platform Services Inquiry – March 2023 Report on Social Media Services

Australian Competition and Consumer Commission

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Introduction

The Association for Data-driven Marketing and Advertising (**ADMA**) welcomes the opportunity to make a submission to the Australian Competition and Consumer Commission (**ACCC**) in relation to the Digital Platform Services Inquiry – March 2023, Report on Social Media Services (**Inquiry**).

Digital platform services, (which is defined¹ to include social media services) has changed the way in which individuals connect with each other and how businesses reach and engage with their customers. At the consumer end of the offering, individuals are using social media services as a main way to stay in touch and communicate with each other, to access information (both generally and about companies, businesses, and brands), and to connect with other individuals who share common interests.

From a business perspective, social media offers a way to connect with customers directly online and is also an important way for their advertising campaigns to reach and engage current and prospective customers. The provision of social media services in Australia by social media platforms contributes significantly to the online advertising industry which neared \$13bn in calendar year 2021². This is an important stimulant for the Australian economy. Many of the benefits provided by social media services are funded by advertising - making it possible for consumers to access the services for free (or at a reduced cost).

There are many consumer benefits that powerful digital platform services (including social media platforms and services) have presented consumers. Equally as platform capability improves over time and consumers adoption of the platforms grows, so too does the potential for consumer and competition harms. Trying to proactively address these has created various challenges for regulators globally.

Two measures of success for a sustainable marketing and advertising sector are: the extent of effective competition throughout the supply chain for digital platform services; and the extent to which consumers are protected from harm as to the fair, transparent and appropriately privacy preserving processes and practices for collection and handling of their data.

This ACCC consultation is timely, giving industry and regulators the opportunity to consider the landscape of digital platform services as it has evolved today. The Inquiry at this time is considering a competitive landscape that has changed in the 3 years since the publication of the ACCC's Digital Platforms Inquiry Final Report³ (**DPI Report**). This is both an important and necessary point of reference. Since the DPI Report, new key social media platforms have entered and established themselves as key global platforms adding to the competitive landscape. In addition to this, significant developments/ changes in the offerings of and uptake of each social media platform, old and new, has reflected how fast this area is growing. As the digital platform services environment grows there is a need to ensure that the regulatory framework is fit for purpose now and in the future.

¹ Terms of Reference Digital Platforms Inquiry Final Report – Appendix A

² [IAB Australia Online Advertising Expenditure Report prepared by PWC](#)

³ [ACCC Digital Platforms Inquiry Final Report June 2019](#)

An updated and regular analysis of the industry as it continues to change will be key to ensuring its sustainability in the long run.

ADMA is supportive of competitive and efficient digital platform markets that supports and provides consumers choice and confidence and believes that looking at the industry holistically (and regularly) in developing the regulatory framework is critical.

In this submission in response to the Inquiry ADMA discusses some of the topics of interest raised in the Issues paper and also makes some broad recommendations, summarised below

KEY RECOMMENDATIONS

- ADMA agrees that in order to protect competition in the advertising industry it is important to reassess at this time, whether the key social media platforms of focus outlined in the Digital Platforms Inquiry Report (DPI Report) is still reflective of the developing landscape or whether the scope of focus needs to be expanded to include other large platforms that have established themselves to be key players (or have a trajectory that is likely to see that come to pass). This is important in the ultimate assessment of what regulatory reform is required to protect healthy competition in the industry.
- ADMA recommends further analysis is required to ensure that the market power of incumbent social media platforms is not prohibiting emerging social media platforms from improving their offering (both organic and paid) to better support SMEs if they so choose;
- ADMA suggests that substitutability, while a valid question, is complex given platform network effects for both audiences and data, and in a digital environment, substitution would be determined when advertisers understand the holistic impact of their campaigns by partner, necessitating a need to have common industry standards and benchmarking where possible to improve marketing mix modelling (MMM)
- To avoid over-simplifying how advertisers value consumer engagement with social media advertising posts, ADMA recommends a discussion with industry to give the Inquiry a broader perspective as to how social media posts are assessed in a brand's marketing mix. ADMA offers to bring together member representatives for this discussion with the ACCC Digital Platforms branch;
- ADMA recommends a need for regulatory efforts that require large digital platforms develop the tools that support the implementation of data portability (as rolled out in schemes such as CDR). This will improve competition between social media platforms and empower consumers by giving them more control over their data;
- ADMA recommends that regulatory reform should be considered across the board. That this, the digital economy shouldn't stand apart from traditional economy in setting standards that must be met to reduce consumer and competition harm;
- ADMA recommends that regulatory reform be (if required) in the form of a strengthened Australian Consumer Law (ACL) that addresses anti-competitive behaviour that is not currently

captured or where investigation occurs only after harm has been inflicted and where “consumer harm” is problematic to argue given many social platforms are free.

- Consideration is needed as to whether advertising on platforms that uses automated tools for distribution can be adequately policed for transparency and privacy compliance;
- ADMA recommends that different mechanisms be considered to reduce the impact that potential scams can have on consumers on social media platforms. Large social media platforms should be required to implement systems and processes that better protect their users by proactively identifying potential scams. There is a need to shift the approach from ‘post-investigation of harm incurred’ to a model of prevention where possible, as well as active pursuit by law enforcement. This needs to be further enhanced with an effective consumer education campaign and with supervision by a well-resourced and properly funded regulator;
- ADMA recommends the introduction of a prohibition on unfair trading practices into ACL;
- ADMA recommends that large digital platforms (including social media platforms) be required to ensure that interfaces and menus are easy to navigate services so that consumers can act in their own best interest, free from unreasonable design i.e. dark patterns. And that platforms are mandated to provide consumers with an ability to easily review and adjust their privacy settings
- ADMA recommends the development of internal dispute resolution standards for social media platforms, particularly to support business customers advertising on the platform;

DISCUSSION

Supply of advertising on social media platforms to advertisers

Advertising spend

Australian advertising dollars spent in media and entertainment channels hit over \$19 billion in 2021. Internet-based advertising⁴ was the largest contributor in the mix⁵. While social media advertising in comparison is still only a relatively small contributor to the total advertising spend in Australia, advertising through social media is continuing to grow steadily. Consumers uptake and increased use of video streaming services such as YouTube, Facebook, Instagram, Snapchat and relative newcomer Tik Tok has changed the competitive landscape and channel offering. The video streaming landscape is increasingly dominated by short form video both as content and as an advertising format typically due to lower price points and scalability for short term brand awareness.

Social media platforms represent a powerful and effective distribution channel where user content reigns supreme. The demand for original content and greater incentives for creators makes social media services an increasingly competitive landscape for both audience attention and advertising dollars. The number of social media platforms that businesses are considering for their marketing mix continues to increase. That said, the added complexity of managing across multiple platforms can become burdensome – meaning businesses may preference platforms that already have dominant scale, at the expense of emerging platforms. Platform advertising sophistication is continuously improving as is the availability of data insights, tracking and analytics within each ecosystem helping advertisers assess campaign effectiveness within the environment. The increased automation of both content delivery and advertising has proven to be a valuable service and AI powered content and advertising can identify audiences with pinpoint precision, but does leave users and audiences at risk of opaque algorithm changes that can undermine the success of businesses and content.

Having only officially launched in Australia in 2019, TikTok now reaches over 7 million Australians over the age of 18, each spending an average of 23.4 hours per month on the app. The rapid growth of this platform reflects a very different and constantly evolving landscape, that is different to the one that existed when the Digital Platforms Inquiry Final report was published in 2019. It is worth noting though, that TikTok's growth has included a significant media spend of their own to attract users. Overall though, the proliferation of digital media options has meant that competition for consumer time and for advertising spend is fierce and all key social media platforms must be considered in a way that is proportionate to the role they play in the developing industry.

⁴ Advertising expenditure for paid search, display, classifieds and video advertising along with digital advertising in channels such as Free-to-air TV (as defined in the PWC The Australian Entertainment and Media Outlook 2022

⁵ PWC The Australian Entertainment and Media Outlook 2022

Choosing where ads are placed

When choosing the extent to which their brand will engage with one media channel over another, an advertiser looks at the “network effect⁶”. Advertisers need to focus their attentions (and campaigns) to where the audience is. This is as true for when an advertiser considers digital media in favour of traditional media channels as it is when determining one social media platform over another. The introduction of different sizes and types of screens, the way in which content is distributed and made available to consumers, as well as the way in and the time at which the audience chooses to consume their content all contributes to the way in which advertisers decide to ‘follow their target group (“follow eyeballs”).

Recommendation: ADMA agrees that in order to protect competition in the advertising industry it is important to reassess at this time, whether the key social media platforms of focus outlined in the Digital Platforms Inquiry Report (DPI Report) is still reflective of the developing landscape or whether the scope of focus needs to be expanded to include other large platforms that have established themselves to be key players (or have a trajectory that is likely to see that come to pass). This is important in the ultimate assessment of what regulatory reform is required to protect healthy competition in the industry.

Invaluable access to audience

In addition to ‘following the audience’, digital platform services offer advertisers the option of reaching a more tailored, niche audience selected through a dataset purchased through social media platforms and auction based algorithms. The abundance of alternative platforms and channels offering variations in scale and reach has enabled new advertisers, such as SMEs (small to medium enterprises) to join the advertising mix. Social media platforms offer a diverse menu of price points and audiences which enables SMEs to advertise and reach audiences that traditionally have only been available to big advertisers. That said, data is often walled and silo’d within a platform, meaning advertisers cannot readily use insights about their customers on another platform. There are also data economies of scale, where AI/Machine Learning means that platforms that are sub-scale, will remain sub-scale in the absence of sufficient data to train and improve their algorithms.

Incumbent social media platforms (like Meta’s Facebook) have over time improved their offering to SMEs by developing tools that give this group a way of creating an engaging online presence, e-commerce solutions and affordable access to reach a targeted audience efficiently and effectively. This has made these platforms invaluable to this cohort of businesses. While emerging competitors like Snap and Tik Tok etc are less broadly available to SMEs at this stage, it is possible that as they mature into the market more, they too will open up the ways in which SMEs can use these platforms

⁶ the term “network effect” refers to any situation in which the value of a product, service, or platform depends on the number of buyers, sellers, or users who leverage it. Typically, the greater the number of buyers, sellers, or users, the greater the network effect—and the greater the value created by the offering - [What are Network Effects, by Tim Stobierski, Harvard Business School Online](#)

to both operate their own business presence and to access a new audience (organically or through paid media).

- ***Recommendation:*** ADMA recommends further analysis is required to ensure that the market power of incumbent social media platforms is not prohibiting emerging social media platforms from improving their offering (both organic and paid) to better support SMEs if they so choose;

The complexity of substitutability in placement of advertising

The ability to consider social media platforms as offering ‘substitutable services in advertising’, is a complex concept.

Substitutability is *the tendency to switch from one product, service or combination of the two to another that satisfies the same purpose*. Substitutability in its simplest interpretation could be described as the *impact* that an advertiser would see if it stopped using one advertising medium in favour of another, but somehow managed to maintain a constant level of output. In that instance the advertiser may consider the second medium to be substitutable for the first.

Campaign analysis on social media is not that simple though. The analysis of a campaign (or even a post) needs to go beyond just output. Its *impact* must take into account, the effectiveness of the kind of media, creative, messaging, audience engagement and integration within the social platform. What works on one platform won’t automatically resonate in the same way on another.

Therefore ‘substitutability’ of advertising on social media services is only considered once a campaign has run (or been ‘tested’) on more than one channel. Assuming all other things are equal, the advertiser will compare the comprehensive analysis of the differences in effectiveness of a campaign on one social media platform compared to another. With that information, the advertiser can then decide whether the differences from each platform are significant enough for the advertiser to choose to run their campaign on one platform over another? As it is not really a ‘like for like’ comparison, the savvy advertiser, if pushed to select only one channel is more likely to make their decision by reverting back to ‘scale of audience and impact’.

The ‘network effects’ of social media (more users, attracts more users) makes substitution hard. Instead the decision to use one platform over another is very much driven by a breakdown of the audience it attracts (at a granular level) – some platforms resonate better with certain demographics and if a brand knows who they are wanting to target – then that could very well underpin their marketing strategy.

The complexity further lies in the fact that level of output (reach) alone is no longer how advertisers assess the effectiveness of advertising placements in different (social) media platforms. The

quantitative basis of analysis considers saturation, substitution and/or complementary effects – ie: the holistic view of the campaign across all communications within the campaign and the impact the entire campaign has in converting business goals.

Advertisers are not restricted to running their campaign on just one social media platform. Consumers are not restricted to only one social media platform to engage with content, people or brands (network effects notwithstanding). In the same way advertisers may place their messaging on the various platforms that their target consumers may engage with in a given period of time, provided they have the time, tools, resources, and expertise to manage the unique creativity and advertising buying environments on each platform.

One nuance to the substitutability debate is that the large platforms sell advertising in an automated biddable environment. While substitutability is a given, advertisers do have the ability to start, stop, and adjust their advertising with a level of flexibility not experienced elsewhere.

Measuring campaign success

With the number of options of advertising channels and services available to them, businesses are frequently taking a ‘test and learn’ approach to their campaigns. With this approach, the advertisers ability to properly measure the success of their advertising investment as the campaigns are placed is becoming important in helping to determine future placement of campaigns and the channels on which the advertiser will choose to invest. Businesses want to understand the impact of their marketing more holistically and are therefore moving towards marketing mix modelling (MMM), because it uses statistical regression analysis to quantify the impact of both marketing and nonmarketing activities on business outcomes. MMM does not leverage ‘event level information’ so it is not impacted by changes in the digital advertising ecosystem (unlike multi-touch attribution, a technique highly impacted by such changes).

Furthermore driven by a combination of ongoing broadcaster technology development and consumer habit change, the lines previously drawn between linear (or ‘traditional’) media consumption and the newer, digital variation are blurring. Where the two may previously have been at odds for consumer attention, and with it advertiser dollars, they are now fully converging. Consumer habits are changing and the platforms release of purchase in-ad offerings within social media platforms such as Facebook, Google, Instagram and Pinterest has reduced friction between advertising and purchase than previous click-through based success metrics.

Recommendation: ADMA suggests that substitutability, while a valid question, is complex given platform network effects for both audiences and data, and in a digital environment, substitution would be determined when advertisers understand the holistic impact of their campaigns by partner, necessitating a need to have common industry standards and benchmarking where possible to improve marketing mix modelling (MMM)

Rate and intensity of ads shown on social media services

The rate and intensity of advertisements shown on a social media platform finds its balance by considering the number of ads consumers will tolerate. Advertisers generally want to cap frequency (the number of times their own ads are shown) so as to get the best cut through (and also not irritate/ become white noise its audience, or pay for diminishing returns). Platforms are also incentivised to not over saturate their platform with ads, because this will have an adverse impact on performance and audience session retention. The fundamentals of advertising success suggests that less ad load is better for performance. Of important consideration here is the fact that advertising often funds the free (to consumer) service. Therefore, if a platform reduces the number of advertisements placed, but continues to provide access to their platform for free to consumers, the Inquiry should consider if there is any concern that it will offset any missed revenue opportunity by increasing costs for those ads it does place, with the practical outcome of reducing competition in the process? In the end it is not the number of ads that matters to the platform, instead it is the price per ad. Given the environments are biddable and the auction opaque, the opportunity for price gouging exists.

While non-pricing factors of a social media service such as the quality of a service may impact social sharing, co-creation, partnerships, etc (ie ultimately increasing the reach of a post), these are not reason enough (on its own) for an advertiser to choose one platform over another. If the quality of the service directly improves the network effects of the platform and that drives the advertiser to post their advertisement on the platform, then the advertiser will obviously try to ensure that the post is as engaging as possible to maximise the audiences use of platform tools to extend that reach, but this is usually decided after platform choice has been made.

Influence of consumer engagement trends on social media

Fundamental media principles recommends that advertising be bought on audience and data first against a scale requirement, with pricing factored in. There are many various considerations that are taken into account when considering what is of value in the selection of any social media platform. Engagement of a platform, while important for extending organic reach, is just one measure. Engagement must be taken for what it is – at the end of the day, business results are measured by sales/ impact. The audience’s reaction (ie: ‘like’) of a post doesn’t equal a sale.

Recommendation: *To avoid over-simplifying how advertisers value consumer engagement with social media advertising posts, ADMA recommends a discussion with industry to give the Inquiry a broader perspective as to how social media posts are assessed in a brand’s marketing mix. ADMA offers to bring together member representatives for this discussion with the ACCC Digital Platforms branch*

Data Portability

Data portability recognises that consumers own their data and that the platforms that hold it are merely custodians. To this end, if consumers own their data, then they should reasonably be able to transfer core data between social media platforms. Data portability would improve the competitiveness of the digital platform services market by allowing the audience to switch services easily and addressing the network economies of scale competition challenge.

ADMA supports measures that give consumers security, control over and benefits from their data. Improving data portability would remove barriers to switching and give consumers meaningful choice of which social media platforms they choose to use. A scheme such as the Consumer Data Right (CDR), where the users own their data and the digital platform acts as data holders would be a good point of reference as it has already been rolled out with a certain level of success, the ACCC could apply learnings from this regime.

Recommendation: ADMA recommends a need for regulatory efforts that require large digital platforms develop the tools that support the implementation of data portability (as rolled out in schemes such as CDR). This will improve competition between social media platforms and empower consumers by giving them more control over their data;

Extent to which advertising on social media may have led to specific consumer harms

The consideration of consumer harms is a broad topic that goes well beyond the scope specific to advertising on social media platforms. It is important to remember that advertising is not in itself bad, it is the weaponization of advertising (ie bad actors, misinformation, lack of accountability and transparency) that is bad. Left unchecked, advertising on social media can present significant competition and consumer risks.

Technological innovation has changed the landscape being regulated significantly and these changes have developed organically. They have also developed at scale and at a rapid pace. This means that the threat of a harm is immediately heightened when in the social media environment, partly because of the potential exposure and partly for which the speed with which the exposure to harm can spread or be made worse. That said however, the digital and traditional economy will operate more smoothly if it is regulated with the same guiding principles and obligations.

Recommendation:

- ADMA recommends that regulatory reform should be considered across the board. That this, the digital economy shouldn't stand apart from traditional economy in setting standards that must be met to reduce consumer and competition harm;
- ADMA recommends that regulatory reform be (if required) in the form of a strengthened Australian Consumer Law (ACL) that addresses anti-competitive behaviour that is not currently captured or where investigation occurs only after harm has been inflicted and where "consumer harm" is problematic to argue given many social platforms are free.
- Consideration is needed as to whether advertising on platforms that uses automated tools for distribution can be adequately policed transparency and privacy compliance;

A few key areas of potential consumer harm arising through the growth of social media services include:

- Scams,
- Amplification of content that undermines society e.g. election misinformation
- Platform Interface/ Dark Patterns
- Internal Dispute resolution standards

Scams

One of the key concerns to members of the Australian public is the rise in the number of Scams people seemingly are exposed to in their every day lives. There is a need for proactive monitoring of scams by Digital Platforms (including social media platforms). These platforms should be required to improve their existing processes to more effectively monitor, block and remove online scams from being displayed to their audience, and to cooperate across platforms to help eradicate the problem. There should be regular reporting to the relevant regulator and law enforcement agencies. To improve awareness of both what is and is not a scam and how individuals should handle things if they are subject to a scam, education campaigns should be run to the wider community and within the social media platforms ecosystem. Such consumer education would also go a long way in minimising the impact of such harms.

Recommendation: ADMA recommends that different mechanisms be considered to reduce the impact that potential scams can have on consumers on social media platforms. Large social media platforms should be required to implement systems and processes that better protect their users by proactively identifying potential scams and sharing details across platforms, similar to how GIFCT (Global Internet Forum for Content Terrorism) works. There is a need to shift the approach from 'post-investigation of harm incurred' to a model of prevention where possible, as well as active pursuit by law enforcement. This needs to be further enhanced with an effective consumer education campaign and with supervision by a well-resourced and properly funded regulator;

Platform Interface/ Dark Patterns

ADMA supports measures that require that social media platforms provide fair user interface and choice architecture. Social media interfaces should be designed in a way that does not attempt to undermine the consumer and draw them towards actions that benefit the platform to the detriment of the consumers protection from potential harm. Ie an interface design that leads a consumer to sharing personal information in a way that the consumer may not have done had the consumer journey been set out in a more transparent manner. Consumers should be given every opportunity to make decisions in their best interests and should be protected from blatant or unreasonable design of interfaces and menus on social media – especially given that it is known that the attention span of an individual is less when they are on social media than when they are not.

A prohibition on unfair trading practices would cover the use of deceptive patterns online and would address practices that could be considered to be oppressive exploitive or contrary to

consumer expectations of fairness in the market. From a regulatory perspective, the introduction of an unfair trading practices prohibition can be broadly applied to the market and would remove the need for sector/ industry/ digital specific regulation. It would also serve as a baseline safeguard for consumers using digital platform services and equally apply more generally in the market.

Recommendations:

- *ADMA recommends the introduction of a prohibition on unfair trading practices into ACL;*
- *ADMA recommends that large digital platforms (including social media platforms) be required to ensure that interfaces and menus are easy to navigate services so that consumers can act in their own best interest, free from unreasonable design i.e dark patterns. And that platforms are mandated to provide consumers with an ability to easily review and adjust their privacy settings*

Internal Dispute resolution standards

ADMA supports effective and easily accessible ways that allow consumers to resolve disputes with digital platforms. Having access to fair, effective, transparent and impartial mechanisms that is contactable locally for dispute resolution is a crucial part of ensuring that consumers are equally protected in all markets, including social media platforms.

ADMA supports the recommendation in the DPI Report that digital platforms (including social media services) must develop appropriate internal dispute resolution processes that facilitate the effective resolution of consumer complaints. Internal dispute resolution services must also allow users to escalate a complaint quickly and easily to a dispute resolution body as required.

Recommendation: *ADMA recommends the development of internal dispute resolution standards for social media platforms, particularly to support business customers advertising on the platform*

Conclusion

ADMA encourages the ACCC to fully consider how compliance will be measured with any proposed reforms. We remain supportive of regulatory reform to the extent it is required, but without adequate policing the good actors will bear the burden and the bad actors, who exploit consumer data and weaponise the digital ecosystem, will continue to go unpunished (and effectively operate unregulated).

ADMA looks forward to continuing to engage with the ACCC in the Digital Platform Services Inquiry.

ABOUT ADMA

ADMA represents the full 360 degrees of Australia's media, marketing and advertising ecosystem. ADMA itself is the principal industry body for data-driven marketing and advertising in Australia, representing over 350 organisations from a broad spectrum of Australian industries.

Together these organisations employ about 28,000 marketing professionals, many of whom are on the cutting edge of the data revolution. Members range in size from SMEs to multinational corporations. They include banks and telecommunication companies, global tech companies, advertising agencies, specialist suppliers of marketing services, statutory corporations, retailers, specialist industries such as travel, hospitality and automotive, charities (both large and small) and educational institutions.

ADMA, as the principal industry body for data-driven marketing and advertising, is committed to upholding good standards in data privacy. ADMA members are advocates of responsible marketing and as such recognise that a sustainable marketing and advertising sector requires fair and transparent business practices in the handling of consumer data (including personal information) and that such practices reflect a respect of consumers which in turn nurtures digital trust.

ADMA members take their privacy compliance responsibilities very seriously and support a regime that protects the personal information of the consumers understanding that responsible marketing practices stem from a compliance with data privacy law and the Australian competition and consumer laws.

ADMA is keen to support all key stakeholders however it can to ensure that the review of the potential issues in the provision of social media services to consumers and businesses in Australia by social media platforms is considered both through reform of the legislation itself and its application to industry. This will help ensure that Australia's competition and consumer framework is fit-for-purpose.

ADMA acknowledges that our members may have an interest in individual questions raised in the Issues Paper; however in this submission we focus on key issues as they pertain to the data-driven marketing and advertising industry.

Individual members of ADMA may provide separate submissions to the ACCC.