# AANA

Submission on

**ACCC: Digital Platform Services Inquiry –
Report on social media services
Issues Paper**

on behalf of

Australian Association of National Advertisers

September 2022

## Introduction

The AANA is the peak body for advertisers and has represented national advertising for 90 years. The advertising, marketing and media industry plays a fundamental role in the digital economy by funding key services, promoting competition and stimulating economic growth and jobs.

## Submission

The AANA notes the scope of this Discussion Paper is to focus on social media services provided by various social media platforms to Australian users as well as to consider the growth of products and services offered by social media platforms and the entry of new social media platforms in Australia.

Our submission will focus on those questions most relevant to our advertiser members.

9. *Which platforms are the most significant social media platforms in Australia for advertising? To what extent do advertisers rely on social media platforms as a medium or mode for advertising?*

The Digital 2022 Global Overview Report found that by the end of 2021, 82.7% of Australians were active on social media, an annual growth of nearly 1 million users. The report found that Australians spent on average 1h and 57m per day on social media, becoming the second most popular media activity for Australians after watching television[1].

The report also found that for potential advertising reach in Australia's over 18 demographic, YouTube had the most reach at 89.3%, followed by LinkedIn at 65.1% and TikTok at 37.0%. In the over 13s population, Facebook's reach is 69.5%, followed by Snapchat at 33.6% and Pinterest with a reach of 20.5%. The growth in usage of TikTok is notable with the report claiming that 32% of 16-64 year-olds use the app.

According to the Digital 2022 Australia report, social media platforms represent 27% ($2.6 billion) of total share of digital advertising spend and this share is increasing.

For advertisers, social media is an essential part of their advertising media buy. Advertisers research where their customers are and social media platforms provide excellent demographic data and advertising reach.

10. *Is advertising on social media platforms differentiated with advertising on other platforms or websites? Does the availability of different types of advertising on social media platforms (such as display, influencer and sponsored posts), or different audience categories, impact advertisers' use of social media platforms compared to other platforms or websites?*

Advertising on social media platforms provides the unique ability to interact with consumers via a two-way dialogue, whereby consumers are able to provide feedback and commentary to advertisers, either proactively or in response to advertising copy.

Social media platforms provide highly specific targeting options which enable advertisers to reach their target audience more efficiently, significantly reducing wastage in some circumstances.

In general, the more sophisticated the data and reach, the more attractive the social media platform however each advertiser will look at each platform through a brand safety and regulatory compliance lens. For example, financial products and financial advice must comply with the financial services

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[1] For analysis of the Digital 2022 report's Australian data, see https://wearesocial.com/au/blog/2022/02/digital-2022-australia-online-like-never-before/

regulatory framework so the use of influencers to advertise such products presents risks from a compliance and brand safety point of view.

The new Therapeutic Goods Advertising Code, which took effect on 1 January 2022, has banned influencers from giving testimonials about therapeutic goods (e.g. band aids, paracetamol) if they have received payment or other valuable consideration.

Also, each social media platform has lists of products that are prohibited from advertising on that platform and, as such, for brands advertising such products, those social media platforms are not an option. Some examples of advertising policies and prohibitions on social media platforms are:

- [Meta](#)
- [Youtube](#)
- [TikTok](#)

And finally, internal company policies regarding brand safety will impact whether or not a brand will engage with a social media platform. Brand safety is the protection of a brand's reputation by ensuring the brand is not associated with inappropriate or offensive material when advertising online. The ability to accurately stipulate, track and measure where their ads appear is a priority area for advertisers globally. We provide more detail about brand safety efforts in response to question 15.

## 11. *Does advertising through social media represent a significant portion of advertising spend by Australian businesses?*

According to the Digital 2022 Australia report, social media platforms represent 27% ($2.6 billion) of total share of digital advertising spend. Australian businesses are increasingly investing in digital advertising, spending an additional AUD$551 million (an 18% increase) and AUD$2.2 billion (a 27% increase) on social media and programmatic advertising respectively when compared to the previous year.

This increase in social media ad spend is explained by the volume/reach and time spent on platform of social media being higher than other platforms, the cost per thousand impressions being significantly lower than TV, BVOD or OOH and the fact that this type of advertising is proven to be effective.

## 12. *Are any social media platforms considered a 'must have' for advertising in Australia? To what extent do advertisers use more than one social media platform?*

Advertisers are attracted to those platforms where their customers can be found.

The audience size and reach potential, rich data sets and time spent on platform dictates that certain social media channels are considered a 'must have' within the advertising mix. However, each social media platform plays distinctly different roles for consumers and therefore advertisers consider multiple options according to the nature of their product or service and the target market.

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. Advertisers can also link their other social media accounts to Youtube to further their connection with the customer. These platforms also provide privacy-safe ways to upload first party data which enable an advertiser to ensure that existing customers are either excluded from certain ads (e.g. sign up) and served appropriate ads (e.g. member discounts).

Beyond Facebook/Instagram and Youtube, advertisers will also use those platforms suitable for their product line and target audience. For example, online gaming via the social media platform Twitch provides product placement opportunities that are a natural fit for advertising food and beverage products but not all products or services suit that format (e.g. cosmetics or financial products).

13. *To what extent do advertisers choose to engage with one particular social media platform over another? Are there reasons for advertisers choosing to engage with one social media platform and not the other?*

Large advertisers generally use more than one social media platform, with Facebook/Instagram and Youtube being the current must have platforms and each advertiser adding other social media platforms to the mix depending on their product line and target audience. The key considerations for social media platform selection are:

- Nature of product
- Brand safety/compliance
- Audience size (reach potential)
- Key demographics
- Data/audience insights
- Audience engagement/creative messaging formats
- Cost

14. *Do social media platforms offer equivalent or substitutable services in advertising? Are there differences in the advertising service offering between platforms? If so, are these differences material enough to impact the decision that digital advertisers make to engage with one platform over another?*

Social media is different to other forms of advertising or marketing in that it offers a way to engage with consumers in a two-way conversation. Each social media platform provides different consumer experience and format so it would be difficult to argue that they are readily substitutable for one another. For example, Youtube offers rich data sets, huge reach and in-stream advertising however the long-form format means the production cost is higher than other social media options. Facebook also offers rich data sets and huge reach however it also provides brands with an excellent platform for consumer complaints and feedback that will get the consumer prompt feedback and action from the company. In this way, Facebook provides a great way for advertisers to gauge emerging issues or problems with their product or service. On the other hand, social media platforms like TikTok and Snap provide younger audience demographics compared to Facebook/Instagram, Pinterest and LinkedIn. Advertisers can develop tailored advertising content for each social media platform to suit that platform's format.

Current digital advertising best practice requires a 'test and learn' approach whereby the advertiser:

1. Sets a hypothesis around improving key KPIs;
2. Measures the effectiveness of ads done according to each hypothesis according to metrics such as cost per view or propensity to convert; and
3. Uses the learning from each test to improve the effectiveness of their campaigns.

15. *What role does the rate and intensity of ads shown on a social media platform, have on the choice of firms to engage with social media platforms for the purpose of advertising? What role do non-price factors, such as the quality of a service such as image or video sharing, have on the choice of firms to engage with social media platforms for the purpose of advertising?*

As with any advertising medium, both cost and quality metrics are considered as part of the decision for which best matches the advertiser's objectives. Viewability is an important consideration as advertisers should be able to feel certain that any paid advertising will create an 'opportunity to see'.

The rate and intensity of ads is a relevant consideration to the extent that advertisers want to capture the interest but not irritate potential customers. The social media platforms do this well compared to

other streaming services by providing advertisers with the ability to set rate and frequency targets when setting up their campaign.

In addition to reach, large advertisers must also consider brand safety when considering which social media platform on which to advertise.  Large brands look for the following brand safety tools when advertising on social media:

- The ability to exclude certain categories of content, topics, URLs and/or keywords when stipulating where a brand's ad will appear;
- The ability to exclude certain age groups (e.g. under 18) from seeing the ad;
- Classification of videos or content to allow brands to set tolerance levels for each classification category;
- The ability to upload first party data to the social media platform in a privacy-safe way;
- Third-party monitoring to verify ad placement and brand safety compliance.

Brand safety is a global issue and the AANA has joined the WFA's Global Alliance for Responsible Media (GARM) which is leading the way on the issue of brand safety by working with advertisers and platforms by developing and gaining support for the Brand Safety Floor and Suitability Framework. This framework is the foundation for identifying harmful content in order to:

- stop such content from being monetised through advertising; and
- allow advertisers greater control over where their ads appear.

16. *How influential are consumer engagement trends on social media in choosing a particular social media platform for advertising? Are factors such as demographic engagement or time spent by consumers engaging with a social media platform relevant in choosing a social media platform for advertising?*

Consumer engagement trends are very relevant as advertisers consider how to get the right demographic engagement as part of their media buy.  The challenge of advertising on social media is catching the customer's eye as opposed to them scrolling past the ad and not engaging.  New social media platforms such as TikTok and Twitch present advertisers with a way to reach a different segment of the market or engage with the existing target market in a new way. Best practice marketing adopts a test and learn approach to determine which medium or platform is most effective.

17. *To what extent are advertisers able to compare the performance of advertising on different social media platforms? To what extent are advertisers able to compare the performance of different types of advertising on social media platforms with advertising on other websites and digital platforms?*

Each social platform that offers advertising also offers its own version of an Ads Manager, which includes varying levels of reporting and analytical tools.   Advertisers use the reports available and apply analytical models to review past performance and plan future potential performance.

However, comparing the performance of one social media platform to another is limited due to the requirement to pay separately for independent third-party verification. Obtaining consistent metrics between social media and other digital platforms including websites is also challenging due to the different purposes of each platform.

External reporting tools such as Hootsuite offer services including reporting on multiple platforms simultaneously.  Nielsen also offers Reach and Frequency metrics across platforms.

28.     *What impact has advertising on social media had on consumer engagement on social media? Has advertising on social media led to any specific consumer harms?*

It can be difficult for consumers to distinguish advertising from genuine user generated content when it comes to influencer advertising. For this reason, the AANA amended the Practice Notes for section 2.7 of the AANA Code of Ethics which requires advertising to be clearly distinguishable as such, to stipulate that:

*"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 (e.g. #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."*

Since the new rule took effect, the advertising complaints handling body, Ad Standards, received a surge in complaints alleging that influencer advertising was not clearly distinguishable as advertising. According to the Ad Standards 2021 Review of Operations[2], 2.68% of total complaints that year related to the issue of distinguishable advertising, the majority of which related to social media influencer advertising. This represented an increase from 0.45% of total complaints the previous year.

The Ad Standards Review of Operations 2021 reported that complaints about advertising on social media represented 8.43% of total complaints received when compared to other media.

The AANA has worked closely with advertisers and the Australian Influencer Marketing Council, (AiMCo) to ensure that these new rules are well understood by the industry, including communicating recent Ad Standards Community Panel decisions to the industry.

31.     *What is the process for consumers and business users to report potentially misleading and/or deceptive claims in advertising on social media, and what role do social media platforms play in these processes? How effective are these processes?*

Australia's advertising self-regulatory system provides the following complaints handling mechanism, operated by Ad Standards, for consumers and business users to report potentially misleading and/or deceptive claims in advertising, including social media advertising:

* AANA Code of Ethics Section 1 Competitor Complaints – this section of the Code of Ethics provides a dispute resolution mechanism whereby businesses can complain about a competitor's advertising and have the issue resolved in an efficient and low-cost way without the need for recourse to the courts. Section 1 provides that:

  1. *Advertising shall comply with Commonwealth law and the law of the relevant State or Territory.*

  2. *Advertising shall not be misleading or deceptive or be likely to mislead or deceive.*

  3. *Advertising shall not contain a misrepresentation, which is likely to cause damage to the*

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[2] Ad Standards Review of Operations 2021
https://adstandards.com.au/sites/default/files/review_of_operations_2021_final.pdf

*business or goodwill of a competitor.*

4. *Advertising shall not exploit community concerns in relation to protecting the environment by presenting or portraying distinctions in products or services advertised in a misleading way or in a way which implies a benefit to the environment which the product or services do not have.*

5. *Advertising shall not make claims about the Australian origin or content of products advertised in a manner which is misleading.*

- AANA Code of Ethics Section 2 Consumer Complaints – this section sets out the rules governing the portrayal of people, violence, treatment of sex, sexuality and nudity, appropriate language, health, safety and distinguishability in advertising. In particular, section 2.7 requires that "*Advertising shall be clearly distinguishable as such*".

- AANA Food and Beverages Advertising Code (F&B Code) provides a mechanism whereby consumers can complain to Ad Standards about potentially misleading and/or deceptive claims in food or beverage advertising. The F&B Code provides that:

  2.1 *Advertising for Food or Beverage Products must not be misleading or deceptive or likely to mislead or deceive.*

  2.2 *Advertising for Food or Beverage Products must not undermine the importance of healthy or active lifestyles nor the promotion of healthy balanced diets or encourage what would reasonably be considered to be excess consumption through the representation of product/s or portion sizes disproportionate to the setting/s portrayed or by means otherwise regarded as contrary to the Australian Dietary Guidelines.*

  2.3 *Advertising for Food or Beverage Products that include what an Average Consumer might interpret as a Health Claim or Nutrition Content Claim must be supportable by appropriate scientific evidence meeting the requirements of the Australian Food Standards Code.*

  2.4 *Advertising for Food or Beverage Products including claims relating to material characteristics such as taste, size, content, nutrition and health benefits, must be specific to the promoted product/s.*

  2.5 *Advertising for Food or Beverage Products not intended or suitable as substitutes for meals must not portray them as such.*

- AANA Environmental Claims Code – provides a mechanism whereby consumers can complain to Ad Standards about potentially misleading and/or deceptive environmental claims in advertising. The Environmental Claims Code provides that:

  o *Environmental Claims in Advertising or Marketing Communication:*

    ▪ *shall not be misleading or deceptive or be likely to mislead or deceive;*

    ▪ *shall display any disclaimers or important limitations and qualifications prominently, in clear, plain and specific language;*

    ▪ *shall represent the attributes or extent of the environmental benefits or limitations as they relate to a particular aspect of a product or service in a manner that can be clearly understood by the consumer.*

  o *Environmental Claims must:*

    ▪ *be relevant, specific and clearly explain the significance of the claim;*

    ▪ *not overstate the claim expressly or by implication;*

    ▪ *not imply that a product or service is more socially acceptable on the whole.*

  o *Environmental Claims in Advertising or Marketing Communication:*

- *shall be able to be substantiated and verifiable. Supporting information shall include sufficient detail to allow evaluation of a claim;*

- *shall meet any applicable standards that apply to the benefit or advantage claimed;*

- *containing testimonials shall reflect the genuine, informed and current opinion of the person giving the testimonial.*

- AANA Children's Advertising Code is currently under review. It sets minimum standards for advertising to children and provides a mechanism for consumers to complain about potentially misleading and/or deceptive advertising to children. Section 2.2 of that Code provides that:

  o *Advertising or Marketing Communication to Children:*

    - *must not mislead or deceive Children;*

    - *must not be ambiguous; and*

    - *must accurately represent, in a manner that is clearly understood by Children:*

    - *the advertised Product;*

        - *any features (including the size and performance of the product) which are described or depicted or demonstrated in the Advertising or Marketing Communication;*

        - *the need for and the price of any accessory parts; and*

        - *that the Advertising or Marketing Communication is in fact a commercial communication rather than program content, editorial comment or other non commercial communication.*

    - *Prices, if mentioned in Advertising or Marketing Communication to Children, must be accurately presented in a way which can be clearly understood by Children and must not be minimised by words such as "only" or "just";*

    - *Advertising or Marketing Communication to Children must not imply that the Product being promoted is immediately within the reach of every family budget.*

If an advertisement is found to breach a provision of a Code, Ad Standards will tell the advertiser to either modify or remove the advertisement. The advertiser has 5 days to respond to the Community Panel's decision and confirm that the advertisement has been modified or removed. The Community Panel's decision and the final case report, incorporating the advertiser's response to the decision, is provided to complainants and the public as soon as practicable.

Where the advertiser is not willing to remove or modify the offending advertisement, Ad Standards may approach the relevant social media platform to assist in its removal.

Australia's self-regulatory system provides a fast, effective and cost-free way for consumers to complain about advertising. Only one complaint is needed to trigger a review by the Community Panel against the Codes. The Panel meets on average twice a month to consider complaints to ensure that ads found to be in breach of the Codes are removed in a matter of weeks, not months.

The Ad Standards complaint handling system is funded by a levy on advertising spend, collected by media agencies. The levy is set as 0.05% on gross media expenditure, or $500 for every $1 million spent. The levy is applied to the gross media cost of all advertising communications, regardless of the media type. However, where advertisers go directly to social media platforms (not through a media agency), no levy is collected. The AANA is in preliminary discussions with the large social media

platforms as to how advertisers dealing directly with the social media platforms can assist in the funding of the self-regulatory system.

We refer to Ad Standards' submission which provides more detail on the advertising complaints process.

## Further Consultation

The AANA would welcome an opportunity to discuss in more detail issues raised in this submission. Please contact Megan McEwin at megan@aana.com.au regarding opportunities for further consultation.