Digital Platform Services Inquiry – March 2023 Report on social media services

Issues Paper

August 2022

Contents

1. Overview

The Australian Competition and Consumer Commission (ACCC) is examining social media services as part of its five-year inquiry into digital platform services (the Inquiry).[1] This is the sixth report of the Inquiry and seeks views on potential competition and consumer issues in the provision of social media services to consumers and businesses in Australia by social media platforms.

The ACCC will submit its report to the Treasurer by 31 March 2023 (the Report).

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 professional publishers). Social media services generally display content for consumption as linear 'feeds', curated by algorithms or displayed chronologically.

Social media services are provided by digital platforms, known as social media platforms. Many Australian businesses (including not-for-profit and government-funded organisations) maintain an online presence on social media services. Social media is also an important service for which advertisers purchase different types of advertising (including display advertising and influencer advertising).

Social media services are important for individual consumers to connect and communicate with each other, with over 96% of adult Australians using a communication or social media website or app in the first half of 2021.[2] Individual consumers also use social media services to access critical information (such as during natural disasters), or to connect with groups of individuals based on common interests or geography (such as Australians in rural or regional areas). Social media services are also an essential way for Australian businesses to engage and communicate with individual consumers, in addition to using social media services for advertising. The main social media services used in Australia include Facebook and Instagram (operated by Meta), Twitter, TikTok (owned by ByteDance) and SnapChat.

Information available to the ACCC indicates that it is likely that the majority of social media usage is on mobile apps, rather than on web browsers. As a result, the ACCC proposes to focus its analysis in the Report on social media usage on apps rather than web browsers. The ACCC is also seeking feedback on user preferences, including whether social media usage on web browsers is an important offering to users.

Over time, social media platforms have expanded the features offered to facilitate communication (such as video sharing, or GIFs) and have entered into the supply of related services (such as jobs, online shopping and dating). Another key feature of these services is that the growth in features offered on social media services often occurs as a response to features offered by newer competitors, such as the development of Instagram Reels and YouTube Shorts as TikTok's short video-format service has grown.[3]

In 2019, the ACCC concluded that Facebook, now Meta, had substantial market power in the provision of social media services in Australia. However, since 2019 there has been new entry and changes to the competitive landscape for social media services in Australia,

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[1] In December 2019, the Treasurer directed the ACCC to conduct a five year inquiry into markets for the supply of digital platform services. 'Social media services' are a digital platform service under the Ministerial Direction. The full Ministerial Direction can be found on the ACCC website.

[2] ACMA, Communications and media in Australia: How we communicate, December 2021

[3] TechCrunch, YouTube starts rolling out its TikTok competitor, YouTube Shorts, 14 September 2019; TechCrunch, Instagram tests ditching video posts in favor of Reels, 30 June 2022

including the emergence of TikTok. The ACCC's examination of social media services will update its analysis in the Digital Platforms Inquiry, focusing on the current state of competition and the impact of new entry for social media services, as well as considering potential future developments. The ACCC will also consider the barriers to entry for social media platforms, the extent to which network effects impacts the state of competition, and the degree to which ecosystems of services and features are important for attracting and retaining users of social media services.

The ACCC is also aware of significant consumer harms that can arise through the provision of social media services, including through scams and advertising featuring misleading and deceptive claims. The ACCC will examine the nature and extent to which there are consumer harms in the provision of social media services in Australia, and to what degree consumer harms have changed over time.

The ACCC is looking to understand the potential competition and consumer protection issues that matter most to consumers, businesses and advertisers in Australia. We are particularly interested in stakeholders' views on the following issues:

1) The degree of competition between social media services, including:

   a. the barriers to entry and expansion

   b. the degree of differentiation between social media services, and

   c. more specifically, the type and magnitude of switching costs faced by consumers and business users, and the extent to which multi-homing affects competition

2) Trends in mergers and acquisitions by social media platforms and the effect of these activities on competition for social media services

3) The role of advertising services, including display advertising and influencer advertising, offered by social media platforms on competition for social media services

4) The use and abuse of social media services for scams and misleading or deceptive content

Further detail on the key issues for the Report are provided at Section 3.

Social media platforms the focus of the Report

This report will focus on social media services provided by various social media platforms to Australian users, such as Facebook and Instagram (operated by Meta), Twitter, TikTok, and Snapchat. It will also consider the supply of services provided by other platforms that contain similar features to those in social media services, such as YouTube, Reddit and Discord. This report will also consider growth of products and services offered by social media platforms and the entry of new social media platforms in Australia such as BeReal.

Key dates

The ACCC invites written views from interested stakeholders to be submitted by **9 September 2022.**

This Report will be submitted to the Treasurer by 31 March 2023 and will be made public soon after.[4]

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[4]   Further detail on the Digital Platform Services Inquiry is provided at **Section 4**.

Responding to the Issues Paper

The ACCC invites written submissions from interested stakeholders. We will also directly contact some market participants to request specific information. Submissions to this Issues Paper should be emailed to digitalmonitoring@accc.gov.au.

We encourage you to provide your views on the issues that are most relevant to you, as well as on any other issues you consider relevant to social media services. You do not have to address every question in this Issues Paper and you may discuss issues not covered in the Issues Paper. In preparing your submission, please include as much evidence as is possible to support your views.

Invitation for written submissions

You may provide your submission to the ACCC in the form of a public or confidential submission, noting that the ACCC's Inquiry is a public process and that, in general, submissions will be placed on the ACCC website to allow for public consultation (see section below on Treatment of confidential information). You are encouraged to speak with our team before providing a confidential submission if you have any questions regarding the ACCC's processes for dealing with confidential information.

Written submissions to this Issues Paper should be emailed to digitalmonitoring@accc.gov.au by **9 September 2022.**

Treatment of confidential information

The ACCC invites interested parties, where appropriate, to discuss confidentiality concerns with the ACCC in advance of providing written material. The Inquiry is a public process and feedback (written and oral) will generally be posted on the ACCC website. The *Competition and Consumer Act 2010* (Cth) (CCA) allows interested parties that provide feedback to the Inquiry to make claims for confidentiality in certain circumstances.

The ACCC can accept a claim of confidentiality from a party if the disclosure of information would damage their competitive position, the ACCC is satisfied that the claim is justified, and it is not necessary in the public interest to disclose the information. The ACCC will consult with a party where possible and appropriate prior to publishing any information over which that party has claimed confidentiality.

Making a claim of confidentiality

1. So that the ACCC can consider whether the confidentiality claim is justified, you must provide reasons why the information is confidential and why disclosure of the information would damage your competitive position.

2. If you are claiming confidentiality over all of the information in your submission, you must provide reasons why all of the information in your submission is confidential. As the Inquiry is a public process, please consider whether there are any parts of your submission that may be published without damaging your competitive position.

3. If you are claiming confidentiality over a part of the information in your submission, the information over which you claim confidentiality should be provided in a separate document and should be clearly marked as 'confidential' on every relevant page. Alternatively, you may wish to provide (1) a public version for publication on the ACCC website with the confidential information redacted, and (2) a confidential version with all of the confidential information clearly marked.

4. Contact us at digitalmonitoring@accc.gov.au if you have any questions regarding making a submission containing confidential information.

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2.   Social media services

Social media services are online services that allow users to participate in social networking, communicate with other users, and share and consume content generated by other users (including professional publishers). Social media services generally display content for consumption as linear 'feeds', curated by algorithms or displayed chronologically. Examples include Facebook, Instagram, Snapchat and TikTok.

Consumers may choose to use a social media service to connect with and consume content from specific individuals or with users more broadly. The intent or purpose behind social networking can vary from keeping informed of other users' personal updates or developments in news generally or can be specific to a purpose. The ACCC has previously explored potential competition issues in social media as part of the Digital Platforms Inquiry and first interim report in this Inquiry.

The ways in which consumers can connect and interact with other users on social media has evolved as technology and particular social media services introduce new features, as shown in Figure 1 below.[5] For example, short-form videos have become increasingly popular in recent years and can be found on various social media services, including TikTok and Instagram Reels. The ACCC is also aware of related services that are bundled with social media services, such as e-commerce.

Figure 1: Evolution of social media features and related services
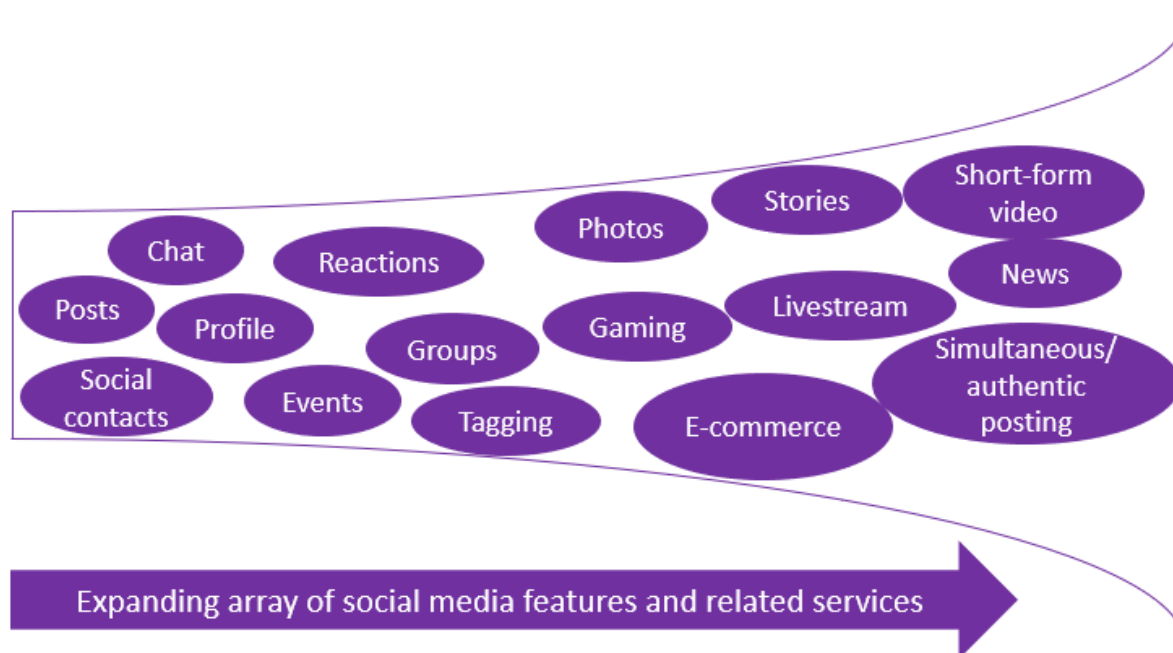
While a wide variety of features and related services are available across social media, the specific features and related services offered varies by social media platform, as described in

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[5] Rather than offering an exhaustive list of social media features, this figure depicts in broad terms the expanding array of features available on social media and the evolution in how users communicate on these platforms. Simultaneous/authentic posting refers to a feature offered by BeReal which prompts users to share a photo within a random two-minute time-frame each day.

Table 1 below. Some social media platforms offer a wide variety of these features and related services and the ACCC will consider their impact on competition between social media platforms.

Table 1: Social media features and related services

	Facebook	Instagram	Twitter	Snapchat	TikTok	Pinterest	YouTube	Reddit	Discord
Social contact [6]	✓	✓	✓	✓	✓	✓	✓	✓	✓
Profile	✓	✓	✓	✓	✓	✓	✓	✓	✓
Posts	✓	✓	✓	✓	✓	✓	✓	✓	X
Chat	✓	✓	✓	✓	✓	✓	X [7]	✓	✓
Photos	✓	✓	✓	✓	✓	✓	✓ [8]	✓	✓
Reactions [9]	✓	✓	✓	✓	✓	✓	✓	✓	✓
Groups/ Communities	✓	X	✓	X	X	✓	X	✓	✓
Events [10]	✓	✓ [11]	X	X [12]	✓	X	X	✓	✓
Tagging	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gaming [13]	✓	X	X	✓	X	X	X	X	✓
Stories	✓	✓	X	✓	X	✓	✓	X	X
Short-form video	✓	✓	X	✓	✓	✓	✓	✓ [14]	X
Livestream	✓	✓	✓	X	✓	✓	✓	✓ [15]	✓
News [16]	✓	X	✓	X	X	X	✓	X	X
E-commerce	✓	✓	X	X	X	X [17]	X [18]	X	X

[6] Social contact is considered broadly, including friends, followers or subscribers.

[7] Google Support, Heads Up - We're removing the ability to message directly on YouTube after September 18, accessed 21 July 2022

[8] Community posts on YouTube enable images to be posted but require channels to have 500+ subscribers. See Google Support, Expanding Community Posts to Channels with 500+ Subscribers and Removing the Discussion Tab, accessed 21 July 2022

[9] Reactions include likes, comments, votes and other similar responses.

[10] Refers to organising physical events through a social media platform or live events streamed on the platform.

[11] This feature is only available for users with professional accounts. See Instagram Help Centre, Create Instagram Posts with Reminders for your Event, accessed 21 July 2022

[12] Subject to guidelines, users can create an event 'filter' which can be used during a specified time or at a specific location. See Snapchat Support, Community Filter Submission Guidelines, accessed 21 July 2022

[13] This refers to the user playing games on the social media platform as opposed to streaming gaming content.

[14] In August 2021, TechCrunch reported that Reddit has made this feature available for iOS users. See TechCrunch, Reddit is quietly rolling out a TikTok-like video feed button on iOS, 14 August 2021

[15] This feature requires users to join the subreddit r/pan. See Medium, How to Broadcast on the Reddit Public Access Network (PAN), 23 August 2019

[16] This refers to a specific news feature included on social media platforms as opposed to the ability to access news through content that is posted. For example, this includes Facebook News, Twitter's news tab within Twitter Explore or the breaking news shelf on YouTube.

[17] Pinterest's website refers to the ability of US based users to purchase products directly on Pinterest. See Pinterest, Shop Product Pins, accessed 3 August 2022.

[18] In July 2022, YouTube launched a shopping feature available in the US, Brazil and India. The feature will be rolled out to additional countries later in 2022, though it is not clear if this will include Australia. See YouTube, Ready, Set, Shop on YouTube, 19 July 2022

Table 1 does not include an exhaustive list of all social media features offered on all platforms. In some cases, similar features offered across different social media platforms have been grouped. As noted in Section 3 below, the ACCC seeks views on the features and related services social media platforms provide to users.

Use of social media services in Australia

Consumer research conducted by the Australian Communications and Media Authority (ACMA) found that 96% of adults used a communication or social media website or app in the first half of 2021.[19] Among adult social media services, Facebook was used by the highest proportion of consumers at 75%, Instagram was used by 44%, Snapchat (20%), Twitter (16%) and TikTok (15%).

Facebook was also used most often by 47% of consumers compared with 12% for Instagram and less than 3% for each of the above noted services. Relatedly, in November 2021, Nielsen reported that Facebook and Instagram were among the top 10 most popular brands Australian adults were browsing, with unique audiences of 17.5 million and 13.8 million users, respectively.[20]

TikTok has seen significant growth in its usage since 2020. For example, the ACMA's survey results indicate that TikTok is particularly popular among younger users, with 40% of 18-24 year-olds and 25% of 25-34 year-olds using the service.[21] Moreover, more recent estimates have suggested that TikTok may be used by 32% of adult internet users.[22] In addition to its popularity among younger uses, this can also likely be partly attributed to the impact of COVID-19 on Australians' online activity, as a means to spend leisure time and stay connected with friends and family. Time spent on TikTok has continued to grow rapidly reaching an average of 23.4 hours per month among Australian users, reportedly amounting to a 40% increase between early 2021 and early 2022.[23] Given its rapid growth, reports have suggested that its ad revenue in 2022 will be greater than that of Twitter and Snapchat combined.[24]

Competition between social media platforms

Many social media platforms are multi-sided – they serve more than one type of user. Social media platforms who also provide advertising services have two types of users: social media users and advertisers. This means such platforms will compete for both social media users and advertisers who pay to advertise their product and services on the platform. The ACCC will examine the competitive constraints on each of these sides of the platforms.

Social media platforms also exhibit direct (or same-side) and indirect (or cross-side) network effects. Due to direct network effects, the more social media users that participate on one platform, the more social media users are attracted to that particular platform. Moreover, indirect network effects mean that the more social media users participate on a platform, the more attractive that platform is to advertisers. For many social media platforms, advertising is a key source of revenue.

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[19] ACMA, Communications and media in Australia: How we communicate, December 2021

[20] Nielsen, Digital Landscape Report, November 2021. No other social media services were included in the top 10.

[21] ACMA, Communications and media in Australia: How we communicate, December 2021
These survey results also indicate that Snapchat is also popular among younger uses, with 59% of 18-24 year-olds and 37% of 25-34 year olds using it.

[22] Wearesocial Digital 2022 - Australia, February 2022

[23] ABC, Australians are spending less time on Facebook and much, much more on TikTok, 11 February 2022

[24] Reuters, TikTok's ad revenue to surpass Twitter and Snapchat combined in 2022 - report, 12 April 2022

The ACCC will also consider the extent to which the development of particular services, such as Facebook Marketplace, also contribute to the direct and indirect network effects of a platform (including attracting consumers as either buyers or sellers of goods), by enhancing the attractiveness to users of the social media service, or of particular services or features on that social media service.

As social media services are often offered at a zero monetary price to users, platforms compete for social media users on non-price factors including the quality of the service and the number and types of features available. When a social media platform offers new or innovative features, competing platforms may respond by offering similar features or introducing new features to attract or retain users on their social media services.

The size of switching costs between platforms and the ability and willingness of users to multi-home (the practice of using more than one platform for the same type of service) may also influence the intensity of competition between social media platforms. Where switching costs are high, or where users are unable to effectively multi-home, competition is likely to be weaker between platforms.

Key social media platforms

Facebook, founded in 2004, is a social media platform with approximately 2.9 billion monthly active users globally (as of Q1 2022).[25] Facebook launched in Australia in 2005 and is estimated to have 17.5 million Australian users.[26] The Facebook platform gradually introduced advertising, including Facebook Ads, which was introduced in 2007. Facebook predominantly earns revenue from selling advertising opportunities on its social media service. Facebook also earns revenue when advertisements are shown on those websites or apps which have joined the Facebook Audience Network. Facebook is owned by Meta, which also owns Instagram and WhatsApp. In 2021, Meta's global advertising revenue was US$115 billion while advertising revenue in Australia was reportedly $1.1 billion.[27]

Instagram, launched in 2010, is a photo and video sharing platform that reportedly has 2 billion monthly active users globally.[28] Instagram was acquired by Facebook (now Meta) in 2012 and is reported to have 13.8 million Australian users.[29]

Snapchat, founded in 2011, had 319 million daily active users as of Q4 2021. [30] It has been estimated to have 7.25 million users in Australia in early 2022.[31] In 2021, Snapchat's global revenue was US$4.1 billion.[32]

Twitter, founded in 2006, had 217 million global daily active users in Q4 2021. It has been estimated to have 3.7 million users in Australia in early 2022.[33] In 2021, Twitter's global revenue was US$5.08 billion.[34] It reportedly had Australian revenues of $14.8 million in 2021.[35]

[25] Meta, Meta earnings presentation Q1 2022, 27 April 2022

[26] Nielsen, Digital Landscape Report, November 2021. No other social media services were included in the top 10.

[27] Sydney Morning Herald, Twitter Australia posts $2 million loss, fails to declare advertising revenue , 5 June 2022

[28] CNBC, Instagram surpasses 2 billion monthly users while powering through a year of turmoil, 14 December 2021

[29] Nielsen, Digital Landscape Report, November 2021. No other social media services were included in the top 10.

[30] Snap Inc., Snap Inc. Announces Fourth Quarter and Full Year 2021 Financial Results, 3 February 2022

[31] Datareportal, Digital 2022: Australia, February 2022

[32] Snap Inc., Snap Inc. Announces Fourth Quarter and Full Year 2021 Financial Results, 3 February 2022

[33] Datareportal, Digital 2022: Australia, February 2022

[34] Twitter, Twitter Announces Fourth Quarter and Fiscal Year 2021 Results, 10 February 2022

[35] Sydney Morning Herald, Twitter Australia posts $2 million loss, fails to declare advertising revenue , 5 June 2022

TikTok, launched in 2016, is a social media service focused on the hosting and sharing of short-form videos between users. It has rapidly grown globally in recent years reaching a billion users in 2021.[36] It became available in Australia in 2018 and is reportedly used by 32% of Australian adult internet users.[37] TikTok reportedly had global revenues of $4 billion in 2021.

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[36] TikTok, Thanks a billion, 21 September 2021

[37] Wearesocial Digital 2022 - Australia, February 2022

3.   Key issues

The ACCC has set out below some key issues relevant to this Report, along with questions on which the ACCC is seeking submissions. This section is structured as follows:

- Overview of the supply of social media services in Australia;

- Trends in the supply of social media services; and

- Relationships between social media platforms and consumers.

The ACCC does not expect or require submissions to respond to every question included in this Issues Paper. We encourage interested parties to provide information in response to the issues that are most relevant to them. If a market participant wishes to raise points not covered by these questions, they are welcome to do so.

The ACCC seeks views from anyone who participates or interacts with social media platforms, including consumers, small businesses and other organisations that maintain a presence on social media, advertisers, and the social media platforms themselves. Please include in your submission a description of your role(s) as a market participant. When your comments relate to only a specific social media platform, or to multiple platforms, please also include this in your submission.

Wherever possible, please provide reasons for your views and any evidence available to support your views.

(a) Overview of the supply of social media services in Australia

(i) Supply of social media services to users

Social media platforms compete to provide social media services to users (both individual consumers and business users). The ACCC seeks views on how social media platforms compete to acquire and retain users of social media services on their platform. The ACCC also seeks feedback about trends in user preferences and engagement over time, and how users choose and acquire social media services. Though the ACCC has listed above some of the largest social media platforms in Australia as the focus of this Report, market participants are invited to provide feedback in relation to any social media platform they consider is relevant in the Australian context.

Questions for market participants

1) Who are the most significant suppliers of social media services for users in Australia? Has this changed over time?

2) Why is it important for users to have access to social media services?

3) What are the main reasons that users use social media services? For example, is it to connect with individuals they know outside of the social media platform, or to connect to previously unknown groups of people?

4) Do particular events influence users' use of social media services, for example, during natural disasters or the COVID-19 pandemic?

5) Are any social media services a 'must have' for Australian users?

6) To what extent do users use more than one social media service? Are there any

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barriers to users switching or using more than one social media service?

7) What features and related services do social media platforms provide to users? How have these changed over time?

8) To what extent do social media platforms compete with each other for users? How do social media platforms compete with each other?

9) To what extent do features and related services offered by social media platforms (such as e-commerce or gaming) compete with other (non-social media) digital platforms for users? Are the services that non-social media platforms provide a substitute for some of the features and services on social media platforms?

10) To what extent do users engage with one particular social media service over another? What role does factors such as the quality of services or user demographics have on users' choice of social media service?

11) Are there any trends in consumer behaviour or preferences that may impact on competition in the future? If so, describe what they are.

12) To what extent do users engage with social media services through apps, as opposed to mobile or desktop web browsers? How important is it for social media platforms to offer their services through apps, web browsers, and both?

(ii) Supply of advertising on social media platforms to advertisers

Social media platforms also provide a medium for image and video advertising (including live-stream video advertising). Australia is considered to represent the fifth largest social media advertising market globally,[38] reflecting the willingness of Australian businesses and advertisers to engage with social media platforms. IAB Australia estimates the Australian online advertising market to be valued at $13 billion in 2021, with display advertising accounting for $5.1 billion.[39]

The ACCC specifically invites views in relation to the use of social media platforms for online advertising including display advertising (including sponsored posts) and influencer advertising. We also invite views on trends in the use of social media for these use cases of advertising, including changes in consumer behaviour, new entry or expansion, and technological change or innovation.

Questions for market participants

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?

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?

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[38] Genroe, Social Media Statistics for Australia, April 2022

[39] IAB Australia, Nickable slides: March 2022, 2 March 2022

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

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?

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?

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?

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?

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?

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?

(b) Market structure and trends in the supply of social media services

(i) Market structure and new entry

The ACCC seeks views on the market structure and competitive conditions applicable to the supply of social media services in Australia. In particular, the ACCC seeks information and views relating to the barriers to entry and expansion for the supply of social media services in Australia, how new entry has occurred, and the impact of new entry on established social media platforms.

Questions for market participants

18) What are the barriers to entry and expansion in Australia for the supply of social media services? How have these changed over time?

19) Has competition, or potential competition, in the supply of social media services been affected by:

   a) acquisitions of start-up companies

   b) entry into the market

c) the acquisition or development of new technology

d) acquisitions by social media platforms of companies operating in related sectors

e) the COVID-19 pandemic and the increase in online engagement by consumers?

If so, please describe how.

20) Are there particular features or related services offered by established social media platforms (such as Instagram) that compete with the features or related services offered by newer social media platforms? If so, please describe.

(ii) Product ecosystems and integration with third-party digital platforms

The ACCC is aware that some social media platforms have, over time, expanded from offering social networking and private messaging services to related services (including e-commerce and dating services). In expanding into these related services, social media platforms may leverage their existing user base, or the data collected by the social media platform.[40] Social media platforms may also partner with other third-party digital platforms to integrate services, such as Spotify's mini player on Facebook.[41]

The ACCC invites views on trends in product ecosystems of social media platforms, and increased integration between social media platforms and third-party digital platforms.

Questions for market participants

21) To what extent do social media platforms compete with each other on the quality or variety of the features they offer in relation to:

a) social networking features

b) the suite of services offered within the platform's ecosystem?

22) Do particular features and services within social media platforms' ecosystems appeal to particular consumer groups? How much does having an ecosystem of features and services on a social media platform impact consumers' choice of platform?

23) Does the adoption of features and related services, particularly those features and related services offered by newer entrants, enable established platforms to strengthen their existing network effects?

24) Have social media platforms used their position in the supply of social media services to affect competition in related markets (for example, in e-commerce)? If so, please provide examples.

25) Do social media platforms compete with each other on the range of their third-party integrations (e.g. Spotify's mini player on Facebook)?

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[40]   TechCrunch, Facebook launches Marketplace, a friendlier Craigslist, 10 March 2016; Wired Magazine, Facebook Dating Arrives in the US. Here's How It Works, 5 September 2019

[41] TechCrunch, Facebook introduces a new miniplayer that streams Spotify from the Facebook app, 26 April 2021

(c) Relationships between social media platforms and consumers

(i) Consumer engagement with social media platforms

The ACCC is seeking information and views on the experiences of consumers and businesses when dealing with social media platforms, including the extent to which consumers face harms, the prevalence of scams, and the risk of misleading or deceptive content on social media services.

We particularly invite consumer and business experiences relating to these areas.

Questions for market participants

26) Are consumers spending less or more time engaging with social media platforms? Has the COVID-19 pandemic and associated lockdowns had an impact on consumer engagement? Are any trends in consumer engagement on social media that emerged during the COVID-19 pandemic likely to continue?

27) Has the development of social networking features and related services by social media platforms led to new consumer harms, and/or exacerbated existing consumer harms?

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?

29) Are consumers faced with potentially misleading and/or deceptive claims through advertising on social media (including sponsored advertising or posts featuring influencers)? If so, has the incidence of potentially misleading and/or deceptive claims increased or decreased over time?

30) Are businesses impacted by potentially misleading and/or deceptive claims through display advertising, including sponsored advertising or posts featuring influencers?

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?

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4. Scope of the Inquiry and advice to Government

In December 2019, the Treasurer directed the ACCC to conduct a five year inquiry into markets for the supply of digital platform services. The Inquiry will provide a report to the Treasurer every six months with each report focusing on different digital platform services. The goods and services included in the Treasurer's Direction for the Inquiry are:

(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.

Services included under the Inquiry definition of digital platform services are:

(a) internet search engine services (including general search services and specialised search services)

(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.

As part of the Inquiry, the Treasurer directed that the ACCC take into consideration a number of matters over the duration of the Inquiry, including:

(a) the intensity of competition in the markets for the supply of digital platform services

(b) practices of individual suppliers in the markets for digital platform services which may result in consumer harm

(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, and

(e) developments in markets for the supply of digital platform services outside Australia.

The first six monthly report was provided to the Treasurer on 30 September 2020 and published on 23 October 2020. That report provided an in-depth focus on online private messaging services in Australia. It also updated the ACCC's previous analysis in relation to search and social media platforms and identified competition and consumer issues common across these platforms.

The second six monthly report was provided to the Treasurer on 31 March 2021 and published 28 April 2021. That report focused on mobile app marketplaces and examined issues including the use and sharing of data by apps, the extent of competition between app providers on Google and Apple's app marketplaces, and the app marketplaces' relationships with consumers.

The third six monthly report was provided to the Treasurer on 30 September 2021 and published 28 October 2021. That report focused on the provision of web browsers and general search services to Australian consumers, and the impact of pre-installation and default arrangements on these service offerings.

The fourth six monthly report was provided to the Treasurer on 31 March 2022 and published on 28 April 2022. That report focused on the provision of general online retail marketplaces to consumers in Australia.

The fifth six monthly report will be provided to the Treasurer on 30 September 2022. This report will consider whether there is a need for a new regulatory framework to address the competition and consumer concerns identified in digital platform services markets to date.

Ministerial Direction

The full Ministerial Direction can be found on the ACCC website.

Glossary of terms used

Term	Description
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
CCA	*Competition and Consumer Act 2010* (Cth)
Display advertising	The supply of opportunities for the placement of advertising, by way of the internet, other than classified advertising and search advertising
Feature	Social networking product offerings, including post, chat, profile, and tagging functions
Influencer advertising	The placement of advertising by a social media user or content creator on a social media platform
Inquiry	The ACCC Digital Platforms Services Inquiry 2020-2025
Network effects	The effect whereby the more users there are on a platform, the more valuable that platform tends to be for their users
Related service	Services linked to those provided through social media services
Report	The report in relation to social media platforms, which the ACCC will submit to the Treasurer by 31 March 2023
Social media platform	A digital platform that provides social media services to consumers
Social media services	Online services that allow users to participate in social networking, communicate with other users, and share and consume content generated by other users (including professional publishers)
Sponsored post	A post on a social media platform that includes paid promotion by an advertiser