Australian Competition and Consumer Commission (**ACCC**) Digital Platforms Inquiry

Submission from oOh!media Limited – April 2018

About oOh!media

1. oOh!media Limited and each of its subsidiaries (**oOh!**) welcomes the opportunity to provide the Australian Competition and Consumer Commission (**ACCC**) with submission responding to the Issues Paper relevant to the Inquiry into the impact of digital search engines, social media platforms and other digital content aggregation platforms on the state of competition in media and advertising services markets (**Digital Platforms Inquiry**) issued by the ACCC on 26 February 2018 (**Issues Paper**).

2. oOh! is one of the leading operators in Australia and New Zealand's fast-growing Out Of Home advertising industry. We create deep engagement between people and brands through Unmissable location-based media solutions. We have a diverse portfolio of classic and digital signs, across roadside, retail, airport and place based media, in CBD office towers, cafés, fitness venues, bars and universities.

3. oOh! owns Junkee Media Australia (**Junkee Media**), a leading youth publication network, which employs 20 fulltime writers, journalists, editors and videographers, and uses 150 freelance contributors.

4. We combine this reach with location data, research insights and world leading digital innovation, integrating our physical inventory with experiential, social and mobile online channels, to provide clients with greater connections with consumers.

Broader advertising market

5. Advertisers have three methods to reach their current and potential customers:

    5.1. **Owned media**, which includes media channels under a company's direct control, such any direct marketing using their own databases and social media channels, such as websites and blogs;

    5.2. **Earned media**, which includes shared company information by customers, via social media, general news, public relations and word of mouth; and

    5.3. **Paid media**, which includes all other areas of traditional media, and online media platforms, including Facebook, Google and Amazon.

    It should be noted that Google and Facebook operate across all three channels.

6. Buyers of paid advertising space in Australia have a broad range of options open to them in which to expose their products and services. These include digital platforms

(including web, social media and mobile), television (free to air and subscription), radio, print (newspapers and magazines), cinema, out-of-home and product sampling, their own data base, social media and other public relations activities.

7. Advertisers select a mix of media they consider will meet their campaign objective. There is multiple evidence of how the Australian advertising market is just one pool, where, subject to their desired engagement outcomes, target audience, choice of creative and consumer buying process, advertising can be substitutable between channels. This allocation between media channels may change over time.

7.1. When briefed by an advertising agency on the requirements of an advertiser, oOh!'s approach is to develop a value proposition that would underpin the re-allocation of an advertising budget from traditional media and digital platforms, towards out-of-home.

7.2. The rise of digital platforms, owned by some of the world's largest companies such as Google, Facebook and Amazon, has certainly fuelled the growth of the overall advertising industry and transformed the lives of a generation. There is an undeniable correlation between the emergence of digital platforms and the rapid decline of print media. Advertising revenue growth from digital platforms has outpaced the traditional media industry, and such growth has partially been achieved by winning over advertising revenue from traditional media. A great example is the disruption in the print advertising market, where a profound shift of advertising spend from print to online and mobile led newspapers, such as the Australian Financial Review, in order to retain (some of) their share of the advertising market via proprietary online publishing platforms. The distribution and aggregation of online content via digital media platforms such as Facebook and Google Search have introduced intermediaries between publishers and advertisers.

7.3. While the out-of-home advertising industry has successfully expanded its market share at a larger pace to that of radio, television and print, being primarily driven by the introduction of digital panels, such growth could have been stronger had digital platforms not emerged so rapidly. The below table sets out both historical data and forecast data on the revenue and market share of various media channels in the Australian advertising market.

Australian advertising market (A$ millions)

Historical data						Forecast data					
Segment	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-2021 CAGR
Consumer magazine market	**573**	**537**	**525**	**511**	**445**	**410**	**377**	**348**	**323**	**300**	
% change		-6.3%	-2.2%	-2.7%	-12.9%	-7.9%	-7.9%	-7.6%	-7.4%	-7.0%	-7.6%
Filmed entertainment market	**88**	**93**	**98**	**101**	**105**	**109**	**113**	**117**	**121**	**124**	
% change		5.6%	5.4%	3.6%	4.0%	3.9%	3.6%	3.3%	3.9%	2.6%	3.5%
Free-to-air advertising market	**3,779**	**3,877**	**3,835**	**3,789**	**3,705**	**3,590**	**3,450**	**3,302**	**3,117**	**2,917**	
% change		2.6%	-1.1%	-1.2%	-2.2%	-3.1%	-3.9%	-4.3%	-5.6%	-6.4%	-4.7%
Interactive games market	**28**	**32**	**34**	**38**	**44**	**49**	**56**	**63**	**71**	**84**	
% change		15.0%	4.9%	11.9%	16.0%	12.3%	12.5%	13.1%	13.5%	17.5%	13.8%
Internet advertising	**3,199**	**3,818**	**4,505**	**5,794**	**7,090**	**7,740**	**8,373**	**8,947**	**9,500**	**10,017**	
% change		19.3%	18.0%	28.6%	22.4%	9.2%	8.2%	6.9%	6.2%	5.4%	7.2%
Newspaper market	**2,502**	**2,341**	**2,583**	**2,411**	**2,281**	**2,098**	**1,902**	**1,724**	**1,567**	**1,434**	
% change		-6.5%	10.4%	-6.7%	-5.4%	-8.0%	-9.4%	-9.4%	-9.1%	-8.5%	-8.9%
Out-of-home advertising	**661**	**683**	**710**	**816**	**902**	**983**	**1,060**	**1,129**	**1,189**	**1,243**	
% change		3.3%	4.0%	14.9%	10.6%	9.0%	7.8%	6.5%	5.3%	4.5%	6.6%
Radio advertising and subscription marke	**1,063**	**1,100**	**1,188**	**1,244**	**1,288**	**1,318**	**1,347**	**1,378**	**1,408**	**1,446**	
% change		3.5%	8.0%	4.7%	3.6%	2.3%	2.2%	2.3%	2.2%	2.7%	2.3%
Subscription television total market	**462**	**527**	**507**	**551**	**541**	**564**	**583**	**600**	**614**	**625**	
% change		14.2%	-3.8%	8.7%	-1.8%	4.2%	3.5%	2.9%	2.3%	1.7%	2.9%
Total	**11,929**	**12,537**	**13,520**	**14,683**	**15,744**	**16,150**	**16,510**	**16,817**	**17,077**	**17,311**	
		5.1%	7.8%	8.6%	7.2%	2.6%	2.2%	1.9%	1.5%	1.4%	1.9%

Source: PWC The Australian Media Outlook 2017-2021

Competition between out-of-home, traditional and disruptive media channels

8. oOh! does not shy away from a healthy competition with peers within the advertising industry providing, advertising through out-of-home, traditional and disruptive digital media channels.

9. An example of this competition between advertising segments is the value proposition of an out-of-home roadside billboard. A roadside billboard exposes the advertising audience of a particular brand at: a) contextually relevant locations (e.g. close proximity to advertiser); or b) high-traffic areas (e.g. audience reach). Alternatively, digital platforms can compete with the billboard for advertising dollars, by targeting that same advertising audience, at any given geographical location, by serving that advertising to the user's mobile, based on the location attributes which their data captures.

10. Given the level of competition across advertising segments, and oOh!'s position as one of the market leaders within the out-of-home advertising industry, oOh! has invested in world leading digital innovative technology. oOh!'s aim is to level the playing field between out-of-home media channels and digital platforms (including the likes of Facebook and Google). oOh!'s investment is being made with the vision of emulating the digital platform programmatic selling and precision targeting capabilities for the out-of-home advertising industry, which requires extensive investment, whilst still paying Australian taxes and company dividends to superannuation funds and other shareholders.

11. Pragmatically however, despite oOh!'s bold ambition and ingenuity, it is undisputable that digital platforms will retain a competitive edge over our business by the virtue of their omni-presence, ubiquitous, online reach, coupled with market dominance. More specifically:

    11.1. online platforms have become a mainstream source of entertainment and news, providing utility across social interaction, news feeds, mapping information, research, video consumption and music services, to name a few. For example, as at April 2018, approximately 55% of Junkee Media's audience is generated via Facebook and 30% via Google;

    11.2. smart phones have become as critical as one's wallet, serving as payment, music player, video player and fitness gear; and

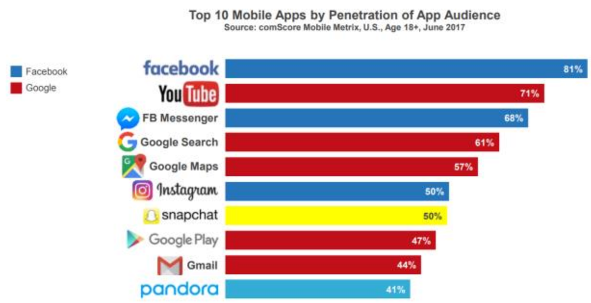
    11.3. digital platforms such as Facebook and Google have ubiquitous access to an individual's location, movements and social behaviour; "*they know more about my consumer than I do*". The depth of personal information collected allows those digital platforms to target advertising in an unprecedented fashion.

12. As illustrated at this year's South by South West conference (**SXSW**), which took place in Austin, Texas between 9 and 18 March 2018:

    12.1. Google and Facebook currently collect 63% of all US advertising revenue. A more staggering figure is that 77% of any additional advertising spend goes to Google and Facebook; and

    12.2. Google and Facebook own 8 of the 10 most penetrated mobile applications. Google and Facebook collect data from the use of those mobile applications. The depth of user data and end-user penetration data collected by Google and Facebook has effectively enabled those digital platforms to gain an unprecedented share of advertising dollars that would otherwise partially go to traditional media such as out-of-home advertising.

Facebook and Google own the top 6 – and 8 of the top 10 – most used apps, with Snapchat and Pandora rounding out the ranking



13. Digital platforms such as Google and Facebook have been able to translate their scale into an advantageous position in the overall advertising market. For example:

    13.1. one person could be exposed to a brand via a billboard or television advertisement 10 times over a window of a couple of weeks. This has been overtaken by the digital world where one person is often exposed to a brand 10 times over a few hours, or single internet session, in a more targeted fashion; and

    13.2. given that traditional media channels have limited precision in targeted advertising, where the targeting of advertising to an audience is based on one's broad preferences which are based on basic demographics (such as age and residential address);

        13.2.1. Google is leveraging its apps to dominate ACTION-BASED TARGETING: people doing things, not just visiting or searching. For example, Google can precisely tell that one has just finished running; and

        13.2.2. Facebook owns SOCIAL DATA PORTABILITY: "*they know more about my consumer than I do*" i.e. Facebook captures one's location, preferences, political affiliation, etc and can use such information to micro-target the individual.

14. Despite welcoming healthy competition between players on different channels, oOh! welcomes the ACCC to promote a stronger level playing field with traditional media and digital platforms, in the context of equitable taxation (GST and Income Tax) and regulatory regimes (equitable restrictions on targeting advertisements at specific locations and to specific audience and with specific content).

Promoting first party content creation

15. At SXSW, Facebook's Head of News Products, Alex Hardman, a panellist on "*Facebook and Publishers: The Evolution of News*" panel, articulated how Facebook is taking steps to prioritise real news, with a fundamental focus to 'elevate the quality and trustworthiness of news'. More specifically, Facebook will start to prioritise:

    15.1. news and content from companies with a fact-check policy, with reputable writers, and distinguishing news from opinion;

    15.2. publishers from which a diverse group of people rate the news; and

    15.3. content of interest to friends and family, in fact de-prioritising content that is not of interest to friends & family, as well as content from emerging, unknown businesses.

16. Hardman also provided many examples of the approach Facebook will take at its own discretion to moderate the quality of content on its platform, including:

    16.1. punishing publishers that abuse the system;

    16.2. regulating the use of “breaking news” in a headline;

    16.3. determining the definition of “good news”; and

    16.4. leaving at Mark Zuckerberg’s discretion the ability to prioritise publishers.

17. Junkee Media, as an important publisher for our youth, is concerned about how a US centric organisation moderates the quality of its platform in the content of the matters raised in clause 16.1 to 16.4 above, where that organisation:

    17.1. is subject to limited regulation in Australia; and

    17.2. employs a limited number of people in Australia (as compared to its net revenue and true underlying profits in Australia).

18. In summary, oOh! welcomes effort from ACCC to increase level playing field and competition across all advertising segments.