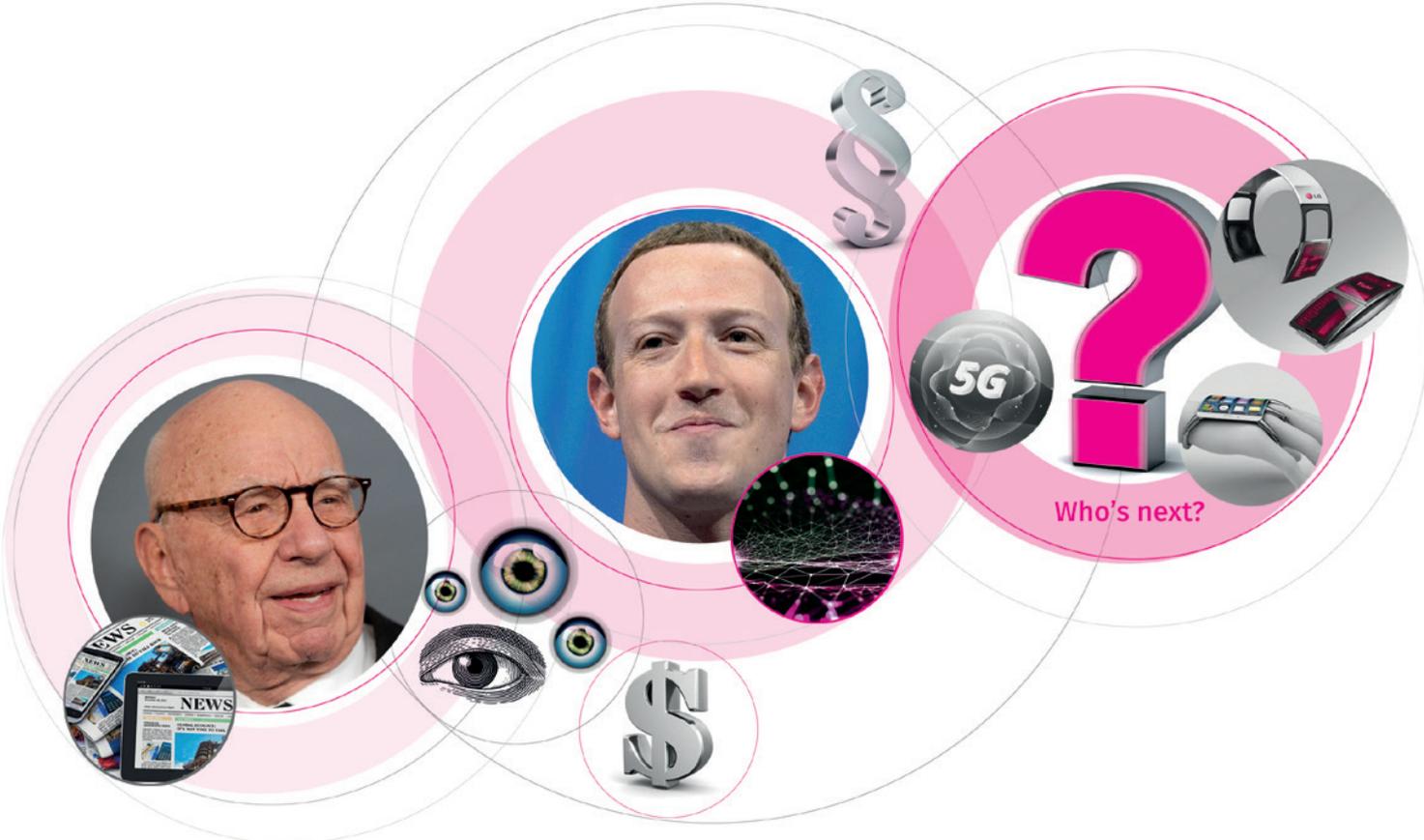


#Unlockingdigitalcompetition



Whitereport - GovTech Summit Round Table Report
January 2020

Whitereport Global Limited



How to design
fair cross-media competition,
regulation and taxation in Europe
based on evidence
and GovTech
innovation

#Unlockingdigitalcompetition



For the attention of

- Regulators and policy makers, media and competition authorities in European countries;
- Publishers, broadcast media and other content provider companies;
- Global digital platforms, including streaming, social media and search companies;
- Tax authorities;
- Media and competition lawyers;
- Business analysts, economists, media experts;
- Lobby groups.

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Foreword

Dear Reader,

Welcome to the first #Unlockingdigitalcompetition report of Whitereport, a cross-media business intelligence and Govtech innovator. This report offers a summary of the Govtech Summit – Whitereport Round-Table Discussion that was held in Paris on 14 November, 2019.

The GovTech Summit, supported by French President Emmanuel Macron, Paris Mayor Anne Hidalgo and the European Commission, was an unparalleled opportunity for public servants, start-ups, technologists and investors to ignite conversation and connect with the people who can unlock their potential.

At the #Unlockingdigitalcompetition round table we invited high-level experts and decision-makers from all over Europe to engage in a professional debate, with no hidden lobbying agenda, to discuss how we might begin to redesign the framework of cross-media competition in the digital age, based on our new evidence and forecast.

The urgency

We initiated the #Unlockingdigitalcompetition round table on the strength of our 2019 forecast. It is our prediction that **Europe has only five years to avoid a crash of the content/media market which might cause national content providers to suffer a significant drop in revenues, influence, diversity and plurality, to the benefit of the global digital platforms.** The **threat** is imminent since –

- a) there is **unfair competition** between regulated content providers and global digital platforms;
- b) **“digital-first” millennials** coming of age are to bear even more impact on the content and advertising markets;
- c) **5G** is expected to bring fundamental changes, **an era of new media and advertising, with IoT gadgets as potential content distributors and providers** – consider getting your morning news on your fridge or watch, and imagine the ecosystem behind it.¹

¹ For example, in a few years your fridge may stream news and political ads—the question is who will provide the content: BBC News, the fridge manufacturer, your ISP, or some digital platform? Further, will there be healthy competition and a value chain behind what you get? That is the new age that policy-makers, content providers and business intelligence services need to start preparing for.

Both regulators and market players need to act

In terms of what actions the stakeholders should take, the experts agreed on the following:

- **Regulators need**
 - not only to catch up with market reality,
 - but also speed up decision making,
 - and get ahead of market changes to level the playing field between content providers and digital platforms.
- **Media companies**, including publishers and audio-visual media, need to
 - agree with regulators on basic definitions and actions required;
 - improve the value of their products and services for brands and end consumers;
 - accelerate their transformation;
 - find ways to act and innovate collectively in a legally sanctioned way, to be able to compete with digital platforms.

Better evidence, more speed and innovation

We also wanted to hear about **potential solutions and approaches**.

The experts had different views on:

- **how regulation should be overhauled**. What is the right approach for a market like that of content and media? Would ex ante² regulation be the right solution? Is it enough to create fair (and cross-media) competition or should we also deal with what it means for our democracy? Would regulating global platforms solve competition problems, or should current views on media regulation also change?
- **how the market should be defined**, because, as Whitereport's analysis and some of the experts pointed out, **the media market is cross-media** in terms of media consumption and advertising spending. The experts offered different views on what the market is, and these views could be explored further – especially because the European Commission is also considering carrying out such a review in the following years³.

There were a few questions on which **the experts were in consensus**:

- **regulation is at the crossroads** now (with alternatives such as traditional media regulation, a competition law-based approach, or a combination of the two), and it is crucial to find a flexible, market-oriented approach, so as not to create further barriers for incumbent market players;
- to be able to reformulate essential questions, the market and changes in competition should be understood and monitored better, using **quality evidence**;
- regulators, policy-makers, market players and independent analysts/innovators should engage in **professional debates more frequently**;
- to speed up decision-making, **regulators and businesses are equally in need of innovative solutions**.

² Ex ante refers to strong “before the event” market intervention by a regulatory body, based on forecasts rather than actual results.

³A few weeks after our round table, on 9 December, 2019, the European Commission announced it would put the issue of “Defining market in a new age” on its agenda. Cf. https://ec.europa.eu/commission/commissioners/2019-2024/vestager/announcements/defining-markets-new-age_en

How we can help to design a more sustainable media market

As a business intelligence and GovTech innovator we are committed to helping decision makers to create a sustainable European content, media and platform market, to design a fairer cross-media competition framework. And also, to embed a system which is future-proofed against new, and as yet unknown challenges from content and platform innovations.

We provide innovative business intelligence tools for monitoring the cross-media reality, for measuring competition, and for alerting business and government decision makers to distortions or the rise of new trends. We offer solutions for tax authorities to define the value of a Digital Services Tax and to measure cross-border spending. We will continue to create events like the GovTech Summit – Whitereport Round Table to facilitate further discussions and provide professionals with insights and potential solutions for the problems of Europe. To the same end, we keep developing business intelligence tools that offer an independent, transparent and innovative view of the scene.

If you are interested in how we can support your work and/or would like to attend our future events in Brussels or London, **please contact us.**





The GovTech Summit – Whitereport Round Table

A historic time and place

The GovTech Summit was held in the Palais Brongniart in Paris. The Whitereport round table took place next to the Brokers' Ring in the palace, a historic building where the Stock Exchange operated until the 1970s, and where a black board still shows past stock prices...

This venue is not only a symbol of digital transformation but is also closely related to the topic of the round table, #Unlocking-digitalcompetition, the theme of upcoming changes in regulation, taxation and competition. The round table was chaired by Hamish Sandison, Chairman of Whitereport Global Limited, who welcomed the following experts:

Guests	Company / Organisation	Country
Sasha Benhamou	Consultant, CommStrat, on behalf of Google	France
Jean-Christophe Demarta	Senior Vice President, Global Advertising, The New York Times	France
Iacob Gammeltoft	Policy Advisor, News Media Europe	Brussels/EU
Kinga Incze	Founder & CEO, Whitereport	HU/UK
Laszlo Jobbagy	CEO, Digital Success Government Programme	HU
Mark Lengyel	Media lawyer	HU
Stephen Kinsella OBE	Head of EU Competition practice, Sidley Austin LLP	UK/Brussels
Philip Marsden	Digital Competition Expert Panel (CMA), Professor, Law & Economics, College of Europe, Bank of England	UK
Phil McCauley	Non-executive director, Whitereport	UK
Jay Modrall	Partner, Norton Rose Fulbright	Brussels/EU
Hamish Sandison	Chairman, Whitereport Global Limited & Legal consultant at Fieldfisher London	UK
Mariann Szucs	Economic and commercial attaché Hungarian Embassy in Paris	HU/FR





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The urgency

In this section we share a few quotes from the round-table discussion, grouped by topics, published under Chatham House Rules (quotes are mentioned without naming individual sources).

Fundamental market changes in the 21st century – the need to adapt

“The same things seem to take place again and again. ...There may be an antitrust problem which is for the experts and lawmakers to decide, but the essence of what is happening is the internet itself. And so we have to adapt to this new world. What is at issue is the source of financing news organizations...

“We have to adapt to this new world... We transformed our business model in incredible ways to make sure that people would value the product.”

...Ten years ago, 70% of our revenue came from advertising, but we realized then that it was no longer going to be the main source of support for our journalism.

We went through difficult times, just like everyone else, and we were forced to make changes to our business and to reverse the model. Some incredible transformation took place in order to make sure that a large number of readers valued our product so much that they would be willing to pay for it. Today 70% of our revenue comes from readers directly.”

“There’s a false impression that [Google and Facebook] are magicians that attract all the advertising dollars. When in fact advertisers have the choice how to spend... we have to think about what our advertising platforms do for brands.”

“The problem with advertising is that the distribution model has changed. Media companies used to be the only distributors of advertising. Today, it is not just Google and Facebook, but thousands, probably millions, of websites as well that have the ability to carry advertising. We are not sure that we can go against that – it’s just a fact of our time.

For this reason our strategy has been to focus on the reader/subscriber – more than ever before. We have hired 300 new journal-

ists in recent years and tried to make our product as attractive as it can possibly be. This is a continuous process that we must keep on improving every year. That said, we do not envision a world without advertising, and we are also developing new products and new ways for brands to reach our very sophisticated audience.”

“Unfortunately, for every Euro that advertisers spend, only 30 cents, on average, filter down to us, publishers – and that’s a good-case scenario... And we see a huge black box, on one side of which no one knows whether they’re getting the best ad placement for their money.”

“A lot of the issues do not derive exclusively from the competition framework itself, but also from the enforcement of a framework that already exists, and should be pretty flexible.”

Outdated regulatory frameworks

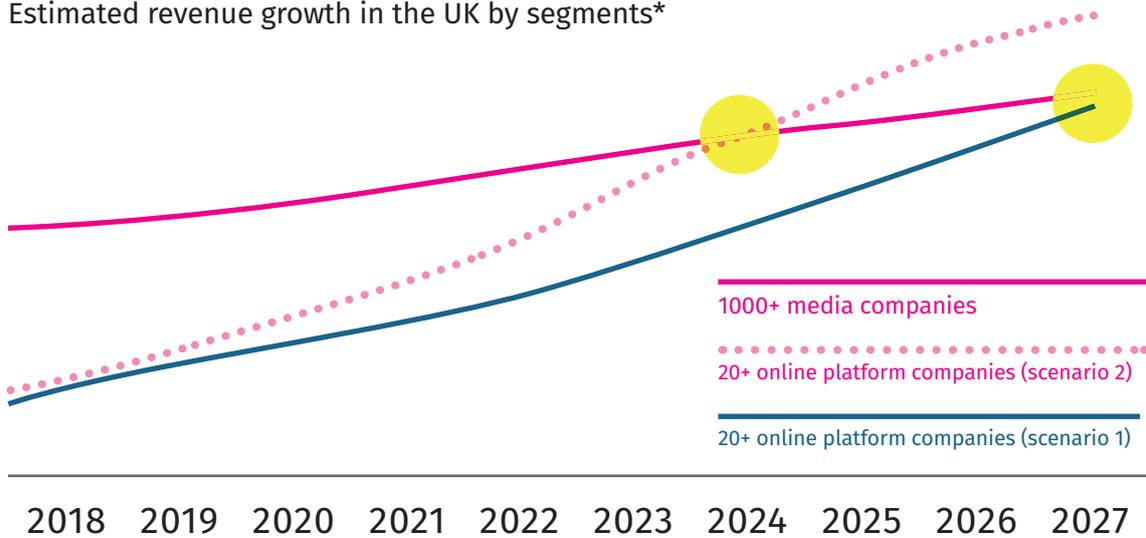
“As for antitrust legislation... There’s a huge competitive advantage for global platforms that are not playing by the rules. But then this leads to the others not wanting to play by the rules... which leads to the Wild West. We may come up with the proper rules and enforce them.”

Taxation (dis)advantages

£6-7bn untaxed UK revenue

“According to Whitereport data and calculations, £6-7bn revenue was not reported by media-related digital platforms (e.g. Google UK, Facebook) in 2019 in the UK alone. For 2018, the same figure was estimated at over £5bn.”

Estimated revenue growth in the UK by segments*



Source: Whitereport UK data & forecast

Five years to avoid a crash of the European content market

According to Whitereport’s latest forecast, if the present discrepancy between the respective revenues and influence of national content providers and global digital platforms is to persist, **Europe will face a crash of the media/content market in five years.** Current trends will be aggravated by 5G and the impact of millennials who grow to be consumers and business decision makers with a 'digital first' mindset in communication, media consumption and advertising planning. It might cause national content providers to suffer a significant drop in revenues, influence, diversity and plurality, to the benefit of the global digital platforms – the same might happen in every European country, however the level of threat is different: the more digital a country is, the bigger and closer the threat is to the content providers.

“ With current trends, the emergence of 5G and IoT, and the impact of millennials, Europe has only five years to avoid a crash of the media/content market ”
 – Whitereport Forecast, Nov 2019

- Music streaming
- Search
- Cinema
- PSB
- Digital publishing
- Print & digital publishing
- Social media
- Radio
- Outdoor
- Video streaming
- Television



New Reality

Platforms
+34% Y-ON-Y

Traditional
+6% Y-ON-Y

© Whitereport data & montage. Bubbles represent the latest reported or estimated real annual UK revenues by companies. Visualisation: Flourish & Whitereport.

#Unlockingdigitalcompetition – What is to be done?

#1: Evidence matters

“The news industry needs the evidence... can’t wait for it... because we [the publishers] are bleeding money, so there is really a sense of urgency attached to what’s happening in general. From a policy making point of view it is not desirable to have a debate in isolation, because it’s part of the wider issue with digital platforms.”

*“When we speak about studies like the Furman report being based on extensive evidence, we need to be careful what kind of evidence we’re talking about. In enforcement cases, authorities often collect terabytes of evidence including extensive internal documents – that’s very different from getting a few hundreds of pages documents with insights and recommendation for the authority to look at X, Y, Z—which is fine. But making decisions on this basis is not what we would call **evidence-based decision-making.**”*

*“We need to differentiate between passive evidence and **proactive evidence that can be translated into actionable insights for governments (and businesses).**”*

*“The key challenge is a fundamental change in the media market that is not tracked and understood properly. **If governments had deployed market tracking systems, alerts, the innovative business intelligence services that have emerged, I don’t think we would have such challenges as we are facing today in terms of cross-media competition. We need to rethink the basic frameworks.**”*

#2: Rethinking media business transformation

*“I think that the news industry, which still relies heavily on advertising as a source of financing, has to cope with the fact that Google and Facebook are here, **and that others are also coming.** Amazon is becoming a very large advertising player and so are LinkedIn and others. These large platforms are offering scale, but also simplicity, in a digital world that has become incredibly complex.”*

*“Google also wants to offer them [journalists] tools to help increase their number of subscribers, develop new sources of monetization **and train them in new technologies** like artificial intelligence, the creation of innovative content... While media is in a period of transition, some of them have already succeeded in their transformation and have found in these changes an opportunity.”*

“The traditional role of government is to regulate, and fine, and find methods for enforcement... we have to shift our tool set...”

*“Nowadays influencers compete with global news providers in terms of audience reach and we speak about news in different platforms. **So, shouldn’t we leave every old rule behind and define new rules to cover what media/voice or content is indeed?**”*

#3: Regulation is at the crossroads

*“Currently, **global platforms are not subject to regulation — they are the equals of governments in some terms of authority. It’s a disruption... so we have to shift our tool set from sole regulation.** Because you can fine big international companies for breaking data protection regulations, or for using the data, or for inappropriate monitoring rules, and so on, but it doesn’t matter in this fight. Because what is **the most important is not the money. It’s not the market shares. It’s not the competition, to use an old term, but the influence over people.**”*

“It is essential that publishers beat competition from a dominant player by being more creative and aggressive — not by eliminating competition among themselves, but by making regulators understand why publishers need to band together.”

“... authorities ought to have an open mind because in 3-4 months’ time things can change.”

“Whitereport’s analysis suggests a cross-media competition and that the market is broader due to the high fragmentation of content and different platforms. It might raise market definition questions. I’m asking the competition lawyers about the nature, size and definition of the market place.”

“While some experts consider a cross-media competition in terms of advertising spending and content consumption, others raise questions about competition between content providers and global online platform players.”

“People talk about media markets blurring, but I don’t think Google and Facebook compete with media companies in content production. They don’t employ journalists as media companies do or produce news content – in the way that Netflix has gone into film production. News production markets may well have blurred – the New York Times, Washington Post, BBC, and CNN apps are all on my phone – but they have not extended to include Google and Facebook. What has happened is that the markets for news production and distribution have disaggregated. The question is who takes the ad dollars.”

“It is getting more and more complicated, and consumers do consume content via any platform available... via tech and media that are transforming. Consumers keep consuming content wherever they can find it.”

“I’m not sure it’s in your interest to broaden the definition. The European Commission likes to narrow it down... for example, Google is dominating the search ad market... big tech dominates in narrow markets – they can leverage from there to cause harm in other markets... As if Coke claimed it is competing with tap water... They would welcome the idea... You’re better off claiming Google is a dominant player in search rather than the total ad market.”

“As a media lawyer I might have a broader approach in this question than my colleagues dealing specifically with competition law. I’m quite uncomfortable with having too detailed obligations imposed on each and every market player to the same extent (like, for instance, in the GDPR). Big companies will always have more resources to cover excessive costs of compliance – unlike smaller enterprises and start-ups. For this reason, too much regulation, I believe, in reality only strengthens dominant platforms. Instead, regulation should be carefully aimed at digital monopolies and, should, above all, make network effects work not just for big players, but for the whole market, including new entrants.”

“I tend to think that the real market is the attention and time of viewers and users. These are the ultimate prizes of the competition.”

“Why don’t we look at ‘strategic market status’ and economic dependency...”

“Instead of using strict market definitions why don’t we look at market reality? So, we suggested focusing on companies with ‘strategic market status’ who might not be dominant but still achieve this status through their users’ economic dependency on them.”

“If we have too much regulation, like those detailed obligations in the GDPR... we might end up creating barriers of market entry and reinforcing digital monopolies instead of helping newcomers to challenge these giants in a fair competition.”

“As someone said: regulatory winter is coming.”

“I think regulation is now at the crossroads. One way to go is imposing more and more obligations in media law, in consumer protection, or in data protection on everyone. The other is enabling competition with carefully designed measures of ex ante regulation focusing on big players. I am also convinced that the latter avenue is much more promising.”

#4: Innovation in media business and government

“Publishing companies, with expensive news operations, probably need to focus on two things: 1) make their product more desirable and attractive for paying readers, and 2) work on proving the ad efficiency of their own platforms. They may have to come together and develop collective solutions for achieving this.”

“Important adjustments to the way how competition rules work [should be made]... and [we need to] address the abuse of dominant positions, closed data ecosystems, walled gardens...”

“The education of citizens, costumers, is a very important matter, and it should be taken seriously by the government.”

“In a few years, as 5G and IoT emerge, we might get our morning news and political ads on our fridge – the question is who will provide the content: BBC News, the fridge manufacturer, your ISP, or some digital platform? Further, will there be healthy competition and a value chain behind what you get? That’s the new age that policy-makers, content providers and business intelligence services need to prepare for today.”

“... if you want to get ahead of the problems, you have to develop ex ante regulation... and examine companies who may not be dominant but may still have strategic market status...”

“Do you want us [regulators] to catch up? I’d like to hear some suggestions. But we don’t just want to catch up, we want to get ahead...”

“And these tech babies sometimes need to be washed... even if these babies are teenagers, they need a bath even more so. So we need a pro-competitive code of conduct. Let’s see how we can do it. Indeed, some of the players are already engaging with what would a code of conduct make... to lay down principles they promise not to violate... and the question is also what these companies offer now – because you see advertising

pop-up in the London Underground about their commitments to privacy and consumer choice... that’s a good starting point but you have to go further.”

“ I quite like the idea that all regulation starts to say what you’d do. That’s how it normally starts, followed by actions. Let’s follow up this conversation. ”

Next steps

This report will be published and sent to all relevant authorities in Europe and the EU, as well as to trade bodies, platform and media companies in January 2020.

We are committed to helping decision makers to create a sustainable European content, media and platform market, and to level the playing field and unlock digital competition in the cross-media market.

We will continue to create events like the GovTech Summit – Whitereport Round Table to facilitate further discussions and provide professionals with insights and potential solutions for the problems of Europe. To the same end, we keep developing business intelligence tools that offer an independent, transparent and innovative view of the scene.

If you are interested in how we can support your work and/or would like to attend our future events in Brussels or London, **please contact us**.

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Whitereport Global Limited

Born in Budapest and launched in London with global ambitions, Whitereport is a GovTech/ B2B innovator. We help you discover and monitor the new cross-media competition by drawing on new database and analytics solutions that focus on commercial, financial and ownership perspectives. We provide evidence-based consulting to redesign the framework of **#crossmediacompetition**.

- We provide media authorities, competition, government and EU authorities with **new, innovative tools to track cross-media reality, measure competition, and alert decision makers** to distortions or the rise of new trends.
- We offer **new business intelligence and GovTech solutions** to tax authorities for the purposes of taxing digital services.
- We support competition and media lawyers' work by providing market evidence in individual cases and for new regulatory processes.
- Working with **market players, both online content providers and digital platforms**, we speak the language of both markets so we will support their transformation.
- We'll continue to create **event platforms for different stakeholders to share professional views** and build a diverse community of high level and ambitious experts and decision makers to reach relevant results in rethinking current competition, regulation and taxation.
- We are ready to participate in **public and private discussions** on rethinking competition, regulation and taxation.

