

CMA lifts the lid on digital giants

The work is part of the Competition and Markets Authority's (CMA) wider digital strategy, which aims to co-ordinate the authority's approach to tackling the new challenges of the rapidly developing digital economy. The CMA will now consult on the contents of today's update ahead of publishing its final report next year.

In July 2019, the CMA set out to find out more about how major online platforms like Google and Facebook operate. Whilst the services these firms provide appear to be free, consumers pay for them indirectly through providing their attention and personal data, which platforms use to sell digital advertising. In the UK, people spend an average of 3 hours and 15 minutes online each day. More than a third of that time is spent on sites owned by either Google (including YouTube) or Facebook (including Instagram and WhatsApp). As a result, the digital advertising sector has grown massively and is now worth around £13 billion – much larger than any other form of advertising.

The CMA's [interim report](#) has found that:

- Last year, Google accounted for more than 90% of all revenues earned from search advertising in the UK, with revenues of around £6 billion
- In the same year, Facebook accounted for almost half of all display advertising revenues in the UK, reaching more than £2 billion

'Big' is not necessarily 'bad' and these platforms have brought very innovative and valuable products and services to the market. But the CMA is concerned that their position may have become entrenched with negative consequences for the people and businesses who use these services every day.

A lack of real competition to Google and Facebook could mean people are already missing out on the next great new idea from a potential rival. It could also be resulting in a lack of proper choice for consumers and higher prices for advertisers that can mean cost rises for goods and services such as flights, electronics and insurance bought online. The market position of Google and Facebook may potentially be undermining the ability of newspapers and other publishers to produce valuable content as their share of revenues is squeezed by large platforms.

Through its market study, the CMA has used its statutory information gathering powers to build a better understanding of this complex market, the drivers behind the positions of Google and Facebook and the competition issues this might present. It has also been able to build a better picture of how these large platforms collect and use personal data to assess whether people have the right amount of control over their own information. All of this will help the CMA identify steps that could open up competition and

contribute to the discussion about whether and how best to regulate this sector.

Each year, about 15% of queries on Google have never been searched for before. Other search engines like Bing will not have the same access to these queries, putting Google in a powerful position of being able to better train its algorithms and provide more accurate search results than its rivals.

The CMA has also found that the default settings people are faced with online have a profound effect on choice and the shape of competition. Last year in the UK, Google was willing to pay around £1 billion – 16% of all its search revenues – where it was the default search engine on mobile devices such as Apple phones.

Personal data collection also plays an important role in driving Google and Facebook's powerful market position by allowing them to target their advertisements more effectively than others. Both for privacy and competition reasons, it is essential that people feel in control of their data. At the moment, the CMA is concerned that this is not always the case.

For example, social media platforms such as Facebook do not allow consumers to opt out of personalised advertising: rather, people are presented with a take-it-or-leave-it offer, forcing them to share considerable amounts of personal data as a condition for using the service. And it is difficult to access privacy settings on these platforms, which are often only visible after navigating through multiple menus.

While there are examples of better practice, with search engines such as Google giving consumers better control, overall, we have found that consumer engagement with privacy settings and controls is low and, that, as a result, most consumers follow the default settings set by platforms – which may result in them giving up more data than they would like.

The CMA is also concerned about a lack of transparency in the way that business on these platforms works. Publishers, such as newspapers, who rely on Google and Facebook for about 40% of their traffic, have expressed concerns about unexplained dramatic changes in the number people visiting their websites due to changes in Google's search and Facebook's news algorithms. Different sorts of transparency concerns are particularly acute in the market for display adverts, where advertisers and publishers participate in a 'black box' process of real-time bidding but have limited ability to verify the effectiveness of their adverts.

CMA Chief Executive Andrea Coscelli said:

Most of us visit social media sites and search on the internet every day, but how these firms work can be a mystery.

So far in this study, we have used our legal powers to discover how major online platforms operate. Digital advertising fuels big businesses like Google and Facebook and we have been building a picture of how this complex new market works. We've looked

especially at how these firms collect and use people's data, how they monetise it and what this means for rival companies who want to compete, as well as the people and businesses using these services every day.

We're now inviting comments on what we have found. At the end of the study, we'll present our findings to the new Government as they decide whether and how to regulate what is an increasingly central sector in all our lives.

At this stage, the CMA agrees with Professor Furman and his colleagues who carried out a wide-ranging review of digital markets earlier this year, that there is a strong argument for the development of a new regulatory regime. This could include rules governing the behaviour of online platforms and giving people greater control over their own data. The most likely outcome at the end of this study will be recommendations to the new Government as it decides whether and how to regulate the digital sector. On the other hand, the CMA stands ready to act directly through any or all of its own powers if, ultimately, these issues are not addressed in other ways, whether domestically or internationally.

Many of the problems that the CMA has currently identified are international in nature. The Australian Government's recent decision to create a digital markets unit and the new draft legislation in Germany on competition and digital markets demonstrates the international will to address what are shared challenges with new solutions. The CMA has taken a leading role in these global discussions for some time now and will continue to further the debate as part of its digital strategy.

While still early in its work, the CMA is also setting out proposals that it thinks are worth considering in order to address the issues it has identified. These reflect the ideas market participants have put to us and include: potential measures to open up the search market, such as access to click and query data and limiting Google's ability to be the default search engine on devices and browsers; requiring Facebook to connect more seamlessly with rival social networking sites; measures to address the conflicts of interests and lack of transparency in digital advertising and requiring platforms to allow people to turn off personalised advertising.

The CMA is now consulting on its interim report and welcomes views by 12 February 2020. Find out more on the [online platforms and digital advertising market study web page](#).

Notes to editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. For CMA updates, follow us on Twitter, LinkedIn and Facebook.

2. Media queries should be directed to: press@cma.gov.uk or 020 3738 6460.