

Ref.: BEUC-L-2018-067/MGO/cs

13 March 2018

Ref.: A sector inquiry into online advertising practices

Dear Commissioner Vestager,

I am writing on behalf of BEUC, the European Consumer Organisation, to ask the European Commission to consider launching a sector inquiry under Article 17 of Regulation 1/2003 into online advertising practices and revenue models of digital platforms.

The objective of the inquiry would be to obtain a greater understanding of how contractual practices between different actors in the online advertising market are shaping the way consumers receive information. It would also identify companies' behaviours which are in breach of EU's antitrust laws.

There are ongoing discussions on the appropriate means to address the problem of online disinformation. You might be aware that BEUC voted against the report of the High-Level Expert Group on fake news and online misinformation.¹

My negative vote relates to the fact that consumer misinformation and exposure to 'fake news' needs to be addressed primarily at its source: online advertising revenues schemes.

Social media platforms use several techniques to keep people inside their ecosystem while maximising the platforms networks effects. One is to push people into 'filter bubbles' through algorithms recommending content that is appealing to the user according to their online behaviour.

Although platforms might present these techniques as 'personalisation of the users' experience', such manipulation is designed to catch people's attention and keep them as long as possible on the platforms generating advertising revenues. The content used to keep people engaging with the platforms is what triggers irrational feelings such as anger and fear. Fake news is designed to stimulate precisely those feelings. There is a clear incentive disseminate more of it.

Consequently, in order to address the problem of disinformation in social media, the most relevant question is how to *prevent* the dissemination of fake news. The report by the expert group focuses instead on empowering users and journalists. One solution is to look at the incentives for the spread such content. This could relate to two antitrust issues:

¹ See my minority opinion in the annex of the report

- first, the role of dominant platforms that might be foreclosing other information sources (e.g. mainstream media) by giving preference to their own services (e.g. news aggregators and news feeds) over those of competitors and,
- secondly, the business models based on the monopolisation of consumers attention to keep them “hooked” to content that help increasing advertising revenues.

I would like to highlight that BEUC is not asking antitrust enforcers to make a judgment over the validity or accuracy of information that circulates on social media platforms. However, we must recognise that within the dominant behavioural advertising-based business models that fuel the spreading of fake news are the problems which can be addressed from an antitrust perspective. A sector inquiry is therefore an important first step.

We suggest the exercise should look at conducts and agreements between the different actors in the advertising value chain, including social media platforms, ad networks and advertisers, and identify whether anti-competitive practices are distorting competition in the market of online advertising.

A similar initiative was carried out by the French *Autorité de la concurrence*. That showed a high-level of concentration in the online advertising sector and identified anti-competitive behaviour.² Another inquiry has been recently launched by the Australian Competition and Consumer Commission³, which also looks into this market.

I would like to highlight that a sector inquiry cannot be replaced by a mere fact-finding exercise e.g. a study to be carried out by a contractor on behalf of the European Commission. The European Commission must use its prerogative under EU law to request information to get an accurate and complete overview of the practices affecting the market of online advertising, which ultimately define how people receive and access information online.

BEUC believes that due to the borderless nature of the online ecosystem and the impact of these advertising practices on the well-functioning of the Digital Single Market, the European Commission is best placed to carry out such a market investigation at European level.

I sincerely hope that our request meets your priorities and assure you that my colleagues and I are at the full disposal of your services for any further development on this topic.

With my best wishes



Monique Goyens
BEUC Director General

cc :
Mr Roberto Viola, Director General - DG CONNECT
Mr Giuseppe Abbamonte, Director - DG CONNECT
Mr Guillaume Lorient, Director - DG COMP
Mr Friedrich-Wenzel Bulst – Cabinet Mrs Vestager
Mr Carl-Christian Buhr – Cabinet Mrs Gabriel

² Ref.: http://www.autoritedelaconcurrence.fr/user/standard.php?lang=fr&id_rub=683&id_article=3132

³ Ref.: https://www.accc.gov.au/system/files/DPI%20-%20Issues%20Paper%20-%20Vers%20for%20Release%20-%2025%20F..%20%28006%29.pdf?utm_source=POLITICO.EU&utm_campaign=b7f0fc78ab-EMAIL_CAMPAIGN_2018_02_26&utm_medium=email&utm_term=0_10959edeb5-b7f0fc78ab-189049909