

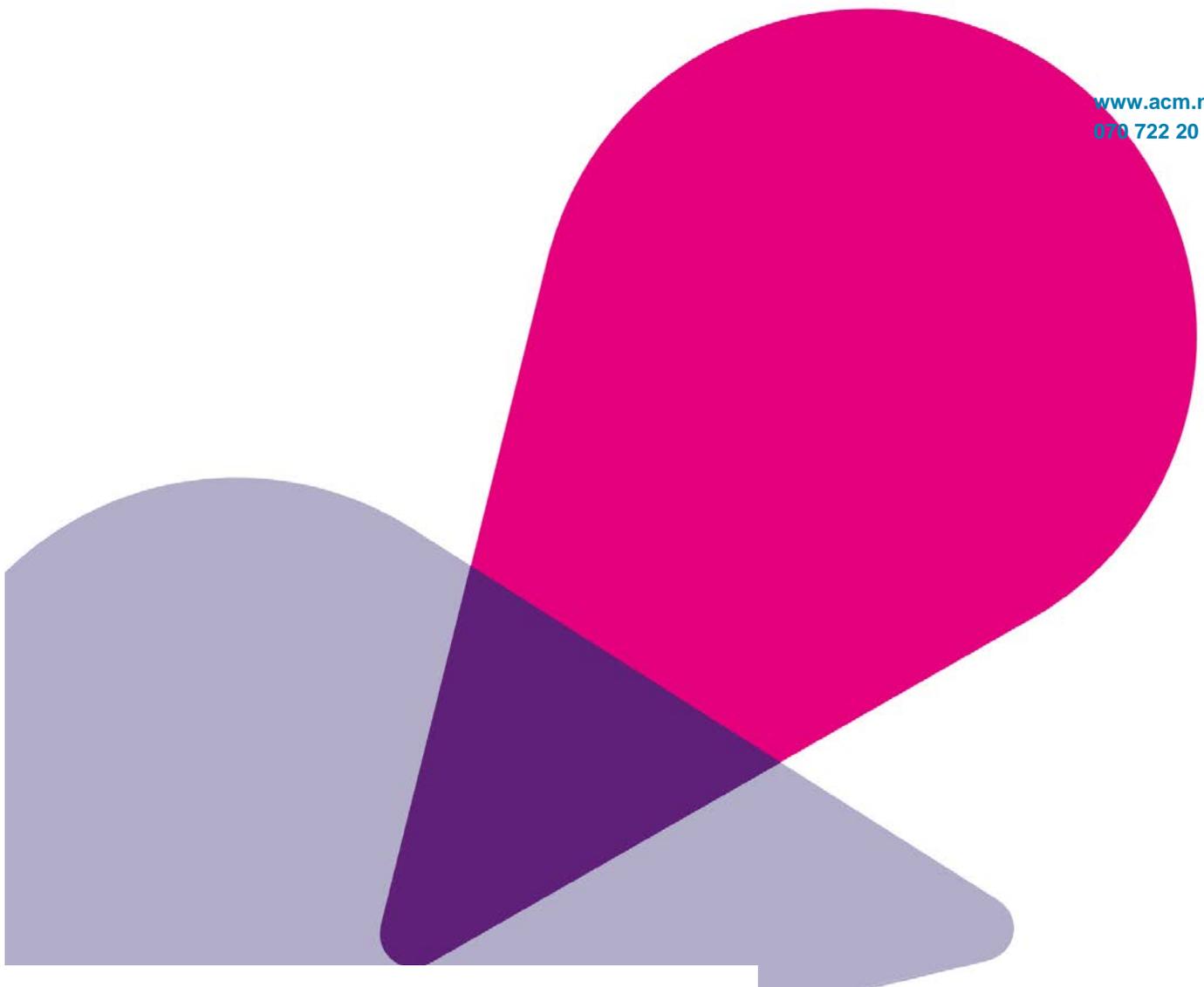
Report

A closer look at

Online video platforms

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Summary

The Netherlands Authority for Consumers and Markets (ACM) has conducted a market study into 'online platforms that stream videos': websites and apps that offer videos that users can watch online. Examples are YouTube, Facebook, Dumptert, and Vimeo. With this study, we wanted to answer two main questions:

1. How does the market for online video platforms function?
2. What anticompetitive risks and risks to consumers exist in this market?

In this report, we present the results of our market study in 2 parts.

Part 1: How does the market for online video platforms function?

We describe the 10 most important online video platforms that are active in the Netherlands. These platforms differ from each other in the content that they show, in the extent to which they are open to content from third parties, and in the way they offer their services and generate revenues. These differences in business models determine with whom they compete and how they connect the 3 sides of their market with each other. Those 3 sides are:

- offering video content
- the use of video content by consumers
- the online advertising chain

Offering video content

Many different content providers are active on online video platforms. These include more traditional participants such as broadcasters and film distributors. However, they also include other parties that produce content (whether or not professionally). More and more platforms have a business model in which third parties that offer content share in the advertising revenues. In this way, content providers gain new opportunities to market their content.

The use of video content by consumers

Online video platforms compete for consumer attention: the consumers of the video content. These users may pay a subscription fee. Alternatively, they may watch 'free' content and see advertisements in return. These advertisements generate revenues for the platform and the content providers. In online advertising, consumer data become increasingly important. We explore that in this study.

The online advertising chain

For a lot of online video platforms, small and big, online advertisements are the main source of income. There are many different types of online advertising space. Online video advertisements represent a small, but fast-growing part of this.

We distinguish 2 ways to market online advertising space:

- Using technical tools that automate the trading process to a very high degree, and, by doing so, match supply and demand (programmatic trade). Video platforms auction their advertising space in real-time with 'selling technology'. Advertisers make use of 'buying technology'.
- Through other methods (non-programmatic trade). This includes the 'classic' direct buying from video platforms via email or by phone. It also includes buying through intermediaries

that bundle advertising space from many different video platforms, and then resell it to advertisers, sometimes through advanced auctions.

There are video platforms that offer the technology to market advertising space themselves. Advertising systems differ in the extent to which they are open to technological solutions from other market participants. For instance, the advertising space on Facebook is only available through Facebook's systems.

The role of consumer data in online advertising

When selling advertising space, video platforms make more and more often use of consumer data. With these data, advertisers determine what advertising space they want to buy and at what price. By using these data, intermediaries are able to sell advertising space based on the relevance of the advertisement for the user. Market participants collect different types of consumer data, and in different ways. By making a purchase or creating an account, users provide information themselves. Browsers and smartphone apps transfer data automatically. Furthermore, market participants are able to buy or exchange data.

Market positions

At the end of part 1, we identify the market positions of the most important competitors in the field of advertising space and technological solutions to market this advertising space. YouTube and Facebook are the biggest providers of online video advertising space in the Netherlands. Google is also a major provider of technology in the Netherlands.

Part 2: Risk analysis

We have identified scenarios in which anticompetitive risks could occur. We have subsequently investigated whether these scenarios actually occur in markets. We have analyzed 3 scenarios:

- In scenario 1, the collection of consumer data by online video platforms leads to market power (and the potential abuse thereof).
- In scenario 2, the market is distorted because a video platform bundles advertising space with its own technology to market this advertising space. An example of market distortion is the exclusion of competitors.
- In scenario 3, publishers are highly dependent on a large market participant for their reach and revenues.

Scenarios with wider market dimensions were not included in this study.

Scenario 1: market power through data collection

This risk occurs if incumbent market participants get a head start, which new entrants will never be able to overcome. Yet, even though data become increasingly important in online advertising, they do not seem to be a necessary prerequisite for entering the video platform market. Competitors are able to enter this market, and then subsequently start collecting data with which they generate advertising revenues. This possibility is not affected by what data other market participants have. Therefore, the relation between data collection and market power requires assessments on a case-by-case basis.

Scenario 2: market distortion due to the bundling of advertising space with trade technology

Are large video platforms able to harm competition on the market for trade technology, if they only open their advertising space using their own technological solutions? That is possible, if a platform uses its dominant position in advertising space to gain a dominant position in trade technology.

However, this scenario does not seem likely. There is no platform with a dominant position in advertising space. Furthermore, sufficient competing methods of trading advertising space are available in the market. On the market for the technology that is used to market advertising space, there seem to be few barriers to entry.

Scenario 3: dependence on a large market participant

We have assessed whether publishers are highly dependent on a large market participant for their reach and advertising revenues. Currently, this does not seem the case. Publishers are also able to reach users in other ways than through large market participants such as Facebook and Google. Those large market participants do not seem to apply access conditions that limit publishers in their opportunities to compete.

Scenarios: conclusions and considerations

Currently, we do not see any anticompetitive problems in the market that could be related to the 3 investigated scenarios. There is sufficient competition between market participants, and the market is sufficiently dynamic. However, the likelihood of anticompetitive problems and the impact thereof are strongly related to further market developments. We will keep a critical eye on such developments over the next couple of years.

Risks of general terms and conditions

Lastly, we have checked the general terms and conditions of online video platforms against the European 'Directive on unfair terms'. All reviewed general conditions turn out to contain unfair or potentially unfair conditions. Those conditions could, directly or indirectly, put consumers at a disadvantage. Most risks are found with international providers. ACM wishes to tackle this problem together with consumer authorities at an European and international level. ACM will also focus on informing Dutch consumers.

Table of contents

1	INTRODUCTION: BACKGROUND OF THIS MARKET STUDY	7
2	FUNCTIONING OF ONLINE PLATFORMS	9
2.1	Market characteristics of online video platforms	10
2.1.1	Most important online video platforms in the Netherlands	10
2.1.2	Business models of online platforms	12
2.1.3	Competition between online video platforms	14
2.1.4	Market definition in multisided markets	16
2.1.5	Summary..	18
2.2	The content side of the market	19
2.2.1	Providers of video content	19
2.2.2	Business models of content providers	20
2.2.3	Summary..	21
2.3	The user side of the market	22
2.3.1	Competition for users (and for their attention) and market positions	22
2.3.2	The transaction between platforms and consumers	23
2.3.3	Summary..	25
2.4	The online advertising side of the market	26
2.4.1	The online advertising market in short	26
2.4.2	The online advertising ecosystem	27
2.4.3	Vertical integration and the openness and closedness of systems	33
2.4.4	The role of data in online advertising	37
2.4.5	Summary	43
2.5	Market positions of the most important market participants	44
2.5.1	Providers of advertising space in the Netherlands	44
2.5.2	Providers of SSP services	45
2.5.3	Providers of DSP services	46
2.5.4	Dynamics on the markets	46
3	RISK ANALYSIS OF ONLINE VIDEO PLATFORMS	47
3.1	Market power arising from data collection	49
3.1.1	Potential problem scenario	49
3.1.2	Risk analysis of 'the power of data' in the online advertising market	50
3.1.3	Conclusion	55
3.2	Bundling advertising space with advertising technology	56
3.2.1	Potential problem scenario	58
3.2.2	Risk analysis of the potential dominant position of YouTube	59
3.2.3	Risk analysis of exclusion as a result of coupling	63
3.2.4	Conclusion	67

3.3	Dependence on large market participants to reach users	68
3.3.1	Potential problem scenario	68
3.3.2	Risk analysis	69
3.3.3	Conclusion	70
3.4	Consumer harm due to general conditions	72
3.4.1	Potential problem scenario	72
3.4.2	Risk analysis	73
3.4.3	ACM's oversight of General Terms and Conditions	75
3.4.4	Conclusion	76
APPENDIX A – LIST OF INTERVIEWED PARTICIPANTS		77

1 Introduction: background of this market study

The topic of 'online consumers' is high on ACM's agenda. Consumers use the internet to look for information, make purchases, watch movies, and play games. And they increasingly use it to listen to music, and watch television, films, vlogs, and other video content. Online platforms make all of these transactions possible. They offer consumers major benefits such as making it easier to compare, review, and purchase products and services from a wide range, but also the opportunity to become active as a provider of goods and services themselves (think, for example, of Airbnb, or, as in this market study, of vloggers).

Questions about online platforms

An online platform is attractive for consumers if its offerings are abundant and varied. The more consumers access a platform, the more attractive it becomes for a provider to offer its products or services on. These effects thus reinforce each other. In this way, economies of scale and economies of efficiency arise for consumers and business. In the real world, we see that online platforms can become very big very fast because of these so-called network effects. These strong positions on the market raise questions, both among consumers and businesses as well as among national and international competition authorities. Do new initiatives have fewer opportunities? Are larger platforms able to bundle services, which can then only be used in combination with the platform? And does this 'market power' not lead to idleness, warding off competition, and a lack of innovation?

A closer look at online video platforms

Based on literature and efforts of the European Commission and other authorities, much is already known about online platforms in general¹. ACM has taken a closer look specifically at online platforms. It is a relatively new, very dynamic, and fast-growing market. Consumers spend more and more time on online video. This market thus becomes increasingly important in economic terms, when thinking of, for example, advertising expenditure. There is a constant stream of new initiatives or new market participants. Think of the 2016 launch of Facebook Live in the Netherlands², or the development of video platforms by incumbent media firms. There is a lot of competition between international and national participants, and ACM has received specific indications thereof.

How did we carry out this market study?

ACM carries out market studies.³ As an integrated regulator, we have looked at online video platforms from a competition-law perspective and a consumer protection perspective. We have not just looked at the platforms themselves, but also at the firms that are somehow connected to them such as media agencies, digital marketplaces where advertisement space is sold and bought, and producers of video content.

In the market study, ACM pays attention to:

- the distribution of online videos
- the various business models of platforms (e.g. subscription-based or for free)
- the various advertisement options on platforms
- the role of user data in targeted advertisements

¹ See, for example, 'Competition Law and Data' (research report from the German Bundeskartellamt (BkartA) and the French Autorité de la Concurrence), May 2016, and ACM's contribution 'Large platforms, big problems?, A consideration of online platforms from a competitive perspective', September 2016.

² <http://www.marketingtribune.nl/media/weblog/2017/01/2017-wordt-het-jaar-van-live-video/index.xml> (in Dutch)

³ The statutory basis for this instrument can be found in Section 2, paragraph 4 of the Establishment Act of ACM.

For this study, we sat down with market participants, independent experts, and scientists. Some participants were asked to provide ACM with additional information in writing. We have also taken a closer look at the literature about these types of markets.

Contents

This study consists of two parts, in which we answer our 2 main questions:

1. How does the market for online video platforms function?
2. What anticompetitive and consumer risks exist on this market?

In part 1, we describe the [10 most important online video platforms](#) in the Netherlands, their business models, and how they connect the 3 sides of their market: [content providers](#), [users/consumers](#) and the [online advertising chain](#). We describe the trade in advertising space and the role of [consumer information \(data\)](#) that come with it. We explain the difference between [programmatic trade](#) (by means of 'buying' and 'selling technology') and non-programmatic trade (other methods). At the end of this part, we identify the [market positions](#) of the most important competitors in the field of advertising space and technological solutions.

In part 2, we investigate 3 scenarios that could lead to anticompetitive risks. In [scenario 1](#), the collection of consumer data by online video platforms results in market power (and the potential abuse thereof). In [scenario 2](#), market distortion arises because a video platform bundles advertising space with its own trade technology. In [scenario 3](#), publishers are highly dependent on a large market participant for their reach and revenues. Lastly, we comment on the [general terms and conditions of online video platforms](#).