

Google, Facebook and New Zealand news media:

The problem of platform dependency

Dr Merja Myllylahti

Auckland University of Technology

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About this report

This report is part of an ongoing series on contemporary policy issues in Aotearoa New Zealand. This series is action-oriented and solutions-focused, with an objective of bringing academic research to bear on the economic, social and environmental challenges facing us today.

The Policy Observatory

Auckland University of Technology

Private Bag 92006

Auckland 1142

policyobservatory@aut.ac.nz

+64 9 921 9999 extn. 7531

<http://thepolicyobservatory.aut.ac.nz/>

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About the data in this report:

This report utilises data from two analytics companies: SimilarWeb and BirdSong Analytics. The findings of the report are dependent on the quality and accuracy of the data offered by these companies. This method was chosen because there is no publicly available data about news companies' distribution and engagement on Facebook; news companies do not report details about their website traffic numbers or sources of their traffic. The author of the report believes that the lack of transparency in this information is hindering our understanding of the relations between news companies and platforms. Without news companies' participation it is therefore in the public interest to utilise other data sources which are available for this kind of research. The downside of using third party data is the researcher does not have control over data collection and what is included in raw data sets. However, manually collecting this data, while possible, would be an onerous task and best suited to the bots created by analytic companies.

General data about Facebook news consumption etc. was gathered from multiple sources such as government and corporate documents as well as industry reports and news articles.

Website traffic data was sourced from the publicly available data of website traffic analytics company SimilarWeb. Of the freely accessible data some information, such as visits from social media to websites, were only available for a limited time period (3-6 months), and therefore long-term analysis was not possible. Also, SimilarWeb data does not cover all New Zealand media companies, for example it does not offer traffic related data for Radio New Zealand (RNZ).

The data concerning news companies' social media postings, content and engagement was sourced from the social media analytics company BirdSong Analytics. As the company's data and analysis are paid services, data sets were bought for five companies and their news sites, including NZME (news publisher), Stuff (news publisher), RNZ (public radio broadcaster), *The Spinoff* (digital media outlet) and TVNZ (state-owned commercial television broadcaster).

Media company name changes

About the use of Fairfax and Stuff

At the time of writing, media company Stuff, previously Fairfax Media New Zealand, is owned by Fairfax Media Australia. Its main holdings include a series of daily and community newspapers, and a news website called 'Stuff'. In February 2018 Fairfax Media New Zealand was rebranded as Stuff, in keeping with the website. This report uses the Fairfax name when discussing the business before 1 February 2018, and the name Stuff thereafter; Stuff is also used to refer to the website business across this timeframe. An ongoing merger application and appeal process between Fairfax Media New Zealand and news company NZME (applying as Wilson & Horton) provides a number of sources for this report, and in this context the business is referred to as Fairfax or Fairfax Media New Zealand.

NZME and Wilson & Horton

New Zealand Media and Entertainment, commonly known as NZME, applied for permission to merge with Fairfax New Zealand under a previous company name, Wilson & Horton. In August 2016 they formally adopted the NZME name. Some merger documents use the name Wilson & Horton but most use NZME; this report faithfully references the names as they appear on the documents cited.

Executive Summary

This is a report about power imbalances in digital media markets. It confirms that Google dominates New Zealand digital advertising. It also reveals that on average search engines and social media drive 53 percent of news websites' traffic. Additionally, Facebook is the third largest news consumption platform in New Zealand (NERA Economic Consulting, 2016). It is clear that platforms and news companies are mutually dependent, but what makes this relationship problematic is that news companies are failing to monetise the traffic and attention they gain on platforms; this risks destroying their business model and raises questions about how content is to be funded.

Key findings:

- Facebook user and revenue growth is strong in Asia-Pacific
- Search, such as Google, controls 60% of New Zealand digital advertising spend while social, such as Facebook, makes up only 6%
- Facebook's share of news consumption is 15%
- Over 53% of news sites' traffic is from search and social media sources
- On average, the news companies in this study post 10 pieces of content per day on Facebook
- News is only 5% of the content share on Facebook overall
- Stuff's Neighbourly is now the third most popular social media site

In this context it would be wise for New Zealand authorities to at least examine how search engines and social media platforms shape digital media markets and the local journalism ecosystem, especially when platforms have not invested in any specific journalism projects in New Zealand. Before considering taxes, levies or forms of regulation for platforms, authorities should have a clear picture of the 'platform problem', and what measures may best support local journalism and media sustainability. As Fairfax Media (Australia) has warned (2018), regulation can have unintended consequences if not properly considered.

This report offers insight into relations between New Zealand media companies and Facebook and Google. These two are regarded as platforms because they enable intermediation between different user groups, such as Facebook users and news content providers. They don't produce any news content themselves, but offer news

companies a platform to distribute their content and to build audiences. Platforms collect a vast amount of data about their users, which they monetise, and this gives them both economic and political power (Srnicek, 2017). Platform companies are seen to have monopoly-style power as they control their relevant markets - Google dominates search on the internet while Facebook is dominating social media. Nielsen (2018) notes that platforms have the power to set and change standards and rules for other participants as well as 'fungible forms of power exercised in part through the large amounts of data they collect and the decisions they make about how to use it and who to share it with' (Nielsen, 2018).

Currently, New Zealand academia offers little concrete and transparent information about the relationships between news companies and platforms, and this report will fill some of that knowledge gap. The report examines Google and Facebook's market share in New Zealand digital advertising market; news consumption patterns; news companies' website traffic sources; the type and volume of content delivered on Facebook; and user engagement on Facebook. The report provides some options available for tackling Google and Facebook's dominance in digital media markets. These remedies include: breaking up Facebook and Google; taxing or levying of social media platforms and search engines; forcing Google and Facebook to pay for news publishers' content; collaborating; establishing public journalism funds; or finally, leaving the platform.

Google, Facebook and New Zealand news media: The problem of platform dependency

Fairfax Media (Australia) on regulating platforms:

'[R]egulatory interventions should be considered as a last resort.... [They] carry risks of unintended consequences' (Fairfax Media, 2018).

Paul Thompson, chief executive, RNZ:

'Governments and policymakers are obliged to develop policies that address these widening gaps or risk losing an essential element of nationhood' (Thompson, 2018).

Introduction

New Zealand media outlets have argued that companies such as Facebook and Google harm their businesses and ability to sustain their newsrooms. Additionally, they believe that Google and Facebook hinder the quality and diversity of their journalism as the two platforms have become too dominant in New Zealand digital media market. Leading New Zealand news publishers, NZME and Stuff (formerly Fairfax), have stated that as platforms don't pay anything for their content, the news publishers' business model has substantially weakened; they are burdened with the costs related to producing content but are deprived of revenue. New Zealand's Commerce Commission agrees that the digital advertising market is dominated by these companies, but on the other hand maintains that, on the reader side of the market, Facebook does not compete with news companies because it does not produce content but acts as an intermediary (Commerce Commission, 2017a). Facebook and Google insist that they provide news companies plenty of opportunities to monetise their audiences as they offer them massive audiences and website traffic. So far, New Zealand authorities have shown little interest in investigating media companies' platform problem any further, and there has been little discussion about regulating social media platforms, search engines or other aggregators. Globally, Facebook and Google have introduced multiple 'journalism initiatives', new subscriptions services as well as partnerships with media organisations, to reduce the threat of regulation. None of these have been announced specifically in New Zealand. Currently, regulatory bodies, politicians, governments and competition authorities in Australia, the United Kingdom, Europe and the United States are holding investigations and mulling over solutions to Facebook and Google's dominance in the global and local media ecosystems. The big question is whether they will recommend regulation for the two companies, and what kind of regulation and remedies they may propose? Alternatively they may take a view that the news outlets, platform companies, and search engines should solve market-related problems between themselves.

Some news companies seem to be ready to co-operate with platforms to find solutions to support their revenue. However, the picture is not black and white, and media companies themselves send mixed signals. For example, in May 2018, Fairfax Media (Australia) stated that the shift to digital advertising has 'predominately benefited platforms rather than publishers', and this was hindering the company's ability to support its journalism (Fairfax Media, 2018, p.5). On the other hand, the company noted that platforms have some 'meaningful area[s] of overlapping interest with the news industry', and therefore Fairfax was 'seeking to proactively partner in recognition of this reality' (Fairfax Media, 2018, p.8). The company stated that 'we have noted a series of examples of Google working increasingly proactively with the industry to help address challenges or create conditions for publishers to capitalise on market opportunities' (Fairfax Media, 2018, p.8-9).

Background

The New Zealand Commerce Commission: Not competing on reader market

Leading news publishers NZME and Fairfax New Zealand (now called Stuff) have previously applied for permission to merge. In December 2016, New Zealand's Commerce Commission held two days of hearings in Wellington about issues related to proposed merger. They denied the application in 2017 and it has gone to appeal. During the December hearing, NZME and Fairfax argued that Facebook and Google were harming their businesses as well as their ability to provide locally relevant journalism. NZME managing editor Shayne Currie stated that Facebook's primary objective was to keep readers to itself rather than feeding them to news companies, and this was impacting NZME's ability to monetise audiences (Jones, 2016). Currie said that Facebook 'is a phenomenal beast and it is absolutely, 100 percent our main competitor and constraint' (Jones, 2016). In January 2018, RNZ chief executive Paul Thompson shared this sentiment. In a blog post, Thompson wrote that media has been 'reduced to client states of Facebook', and that it was facing 'the risk of becoming content tenants in our own lands' (Thompson, 2018). He added that

The likes of Google, Facebook, Apple, Amazon and Netflix provide valued services but they will never make significant investment in local content or journalism, including local, regional or national news. Governments and policymakers are obliged to develop policies that address these widening gaps or risk losing an essential element of nationhood (Thompson, 2018).

More importantly, he urged authorities to act to constrain Facebook and Google, saying that 'fair taxation of the multinationals' profits would be a good start' (Thompson, 2018).

In the merger hearings, the discussion centred around Facebook and Google's dominance in the New Zealand digital advertising market, with very little said about the reader side of the market or news distribution on Facebook. In its final merger ruling, the Commerce Commission acknowledged that Facebook and Google were competing with local news companies for digital advertising dollars. However, it also decided that 'on the reader side of the market', the two companies were distributing channels and were not content creators, and therefore did not directly compete with news providers (Commerce Commission, 2017a). The commission said that 'this distinction between the advertising and reader markets is important' (Commerce Commission, 2017a). In his submission to the commission, Jeremy Rees, who at the time was national

communities editor at Fairfax, argued that the relationship between news companies and social media platforms was more complex than the commission assumed. He noted that there was a mutual dependency between social media platforms and news companies: 'Facebook and Google News depend on issues from the news media to generate debate. Media rely on traffic from Facebook and Google' (Rees, 2016, p.3). He argued that Facebook and Google were media's competitors 'for time, eyeballs, revenue and the future of media' (Rees, 2016, p.3). An anonymous submission filed to the commission disagreed, and stated that neither companies were competing directly with news organisations. The submission argued that 'Facebook is a complementary product that offers consumers a novel method to access and share content created by news organisations' (Anonymous submission, 2017, p.9). It further elaborated that there was 'a limited competitive overlap' between news companies, aggregators and social media platforms, and therefore the focus of competitive analysis should be elsewhere than on Google and Facebook (Anonymous submission, 2017, p.11).

To help put some facts and context around these arguments, this report examines news consumption on Facebook; Google and Facebook's market share in the New Zealand digital advertising market; news companies' traffic sources; and news companies' social media content distribution and reader engagement.

Senate inquiry Australia: Not enough evidence of impact

Similarly to New Zealand news companies, Australian counterparts have argued that Facebook and Google have an unfair advantage because they use news publishers' content without paying for it, to advance their own businesses. In January 2018, News Corp chairman Rupert Murdoch stated that news publishers were 'enhancing the value of Facebook' by providing news and content to the platform, but they were 'not being adequately rewarded for those services' (News Corp, 2018). NewsMediaWorks, which presents media companies' interests in Australia, also argued that Facebook and Google should pay for the news content provided by legacy media outlets. Its chief executive Peter Miller believes that news companies are 'in a surreal marketplace where Facebook and Google profit tremendously from copyrighted content that they don't pay for' (Duke, 2018).

In 2017, the Australian Senate held a 'future of public interest journalism' inquiry. In its report, the Senate ruled that there was not sufficient evidence 'to reach any definitive conclusions' on Facebook and Google's market power and impact on the local media industry (Parliament of Australia Senate, 2018, p.64). The Senate's report did express concerns about 'suggestions that Google and Facebook have abused their market

power, including in their approach to the media sector' (2018, p.64). After the inquiry, the Australian Competition and Consumer Commission (ACCC) undertook an in-depth review to investigate Google and Facebook's 'potential negative or unfair effects on consumers, media content creators - including journalists, and advertisers' (Parliament of Australia Senate, 2018, p.64). (See more about the ACCC inquiry below). In the Senate's report, News Corp's executive chairman Michael Miller said that 'Google is no friend and has done more than anything to destroy the journalism model. It has world's most powerful market monopoly' (Parliament of Australia Senate, 2018). In their submissions to ACCC, Google and Facebook argued that they are helping publishers rather than hindering them. In a blog post Jason Pellegrino, Google's managing director in Australia, said 'we share an important common vision with the Australian news industry which is to ensure that people have access to quality news and information' (Pellegrino, 2018). Facebook's director of policy in Australia and New Zealand, Mia Garlic, noted that 'whilst news represents less than 5% of the content that is shared on Facebook, we are committed to working with local publishers' (Hickman, 2018).

Google & Facebook's journalism projects and partnerships

The Senate inquiry in Australia was 'encouraged' that Google and Facebook 'are increasingly willing to deepen their engagement with the [media] sector, and to invest their time, expertise and money in new partnerships to support industry' (Parliament of Australia Senate, 2018, p.77). It added that

whereas some evidence spoke to the profound difficulties that the news media faces from aggregators, other evidence spoke of the exciting opportunities offered by new global markets, ever-growing audiences, and the enhanced connectedness that the digital age brings with it (Parliament of Australia Senate, 2018, p.77).

Both Google and Facebook argue that they don't need to be regulated as they are aiding and investing in journalism. Facebook notes that it offers publishers plenty of advertising options, including branded content, video adverts, connection to [Instant Articles](#) as well as a platform to sell their own advertisements (Hickman, 2018). It also points out that its *Facebook Journalism Project* helps new generations of journalists with scholarships, and its newest subscription initiative is helping 'newspapers take their digital subscription business to a new level' (C. Brown, 2018). The company is working with 13 American metropolitan newspapers to aid their digital subscriptions (and potential revenue). Most of the Facebook projects are targeted to the United States, and it has not announced any specific projects in New Zealand. Facebook has not replied to e-mail questions posed by the author about its journalistic projects in New Zealand.

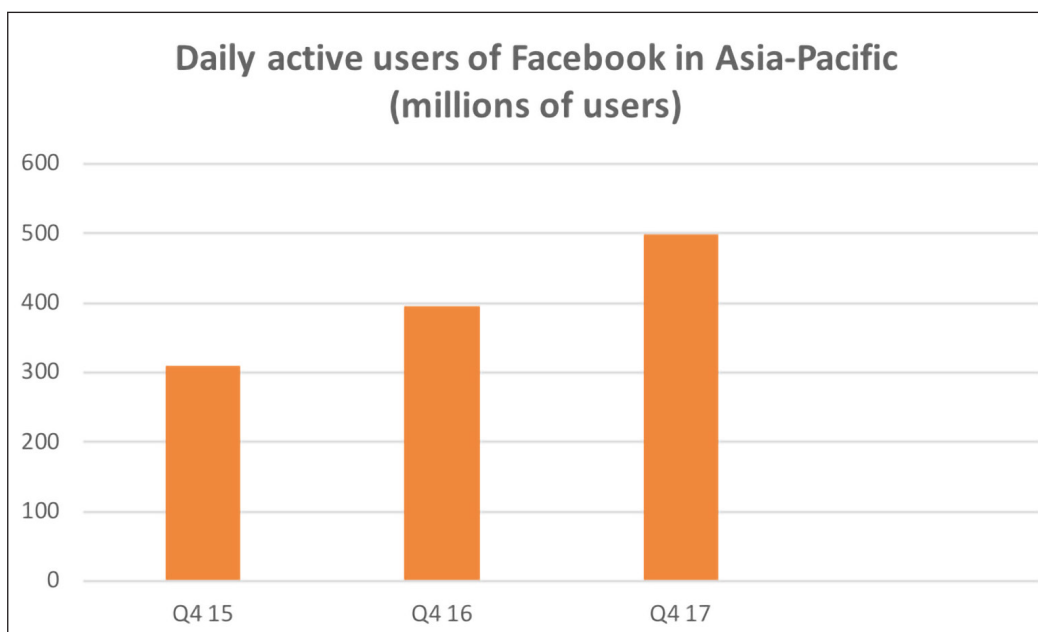
In a blog post, Google's chief business officer Phillip Schindler wrote that the fact that news companies are in financial trouble 'matters deeply to Google', and that its 'mission to build a more informed world is inherently tied to the reporting of journalists and news organizations' as well as their business interests (Schindler, 2018). In another blog, Pellegrino lists how Google 'aids' Australian news companies, including collaborations with Australian Broadcasting Corporation and Fairfax Media (Pellegrino, 2018). In December 2017, Fairfax Media (Australia) formed an advertising partnership with Google. In March 2018, Google launched a new digital payment system tool 'subscribe with Google' to aid publishers' digital subscription revenue, and Fairfax Media is part of that scheme. Google has also tweaked its search algorithm to drive more traffic and advertising revenue to news companies. In March, the company announced that it would spend US\$300 million on a project that is aimed to support 'local quality journalism' and 'real news' (Schindler, 2018). Google confirmed, in a personal correspondence with the author, that it has not invested in any specific journalistic projects and initiatives in New Zealand, but has offered some journalistic training for local media companies.

New Zealand factual context

Facebook user growth up in Asia-Pacific

Facebook's report on earnings for its 2017 fourth quarter confirmed that the number of its daily and monthly active users has continued to grow. The number of daily active users grew globally to 1.4 billion, 14 percent up from the same period in 2016. Similarly, the number of monthly active users grew 14 percent globally to 2.13 billion from the same period in 2016 (Facebook, 2018).

Figure 1: Daily active users of Facebook in Asia-Pacific in Q4 2015-2017

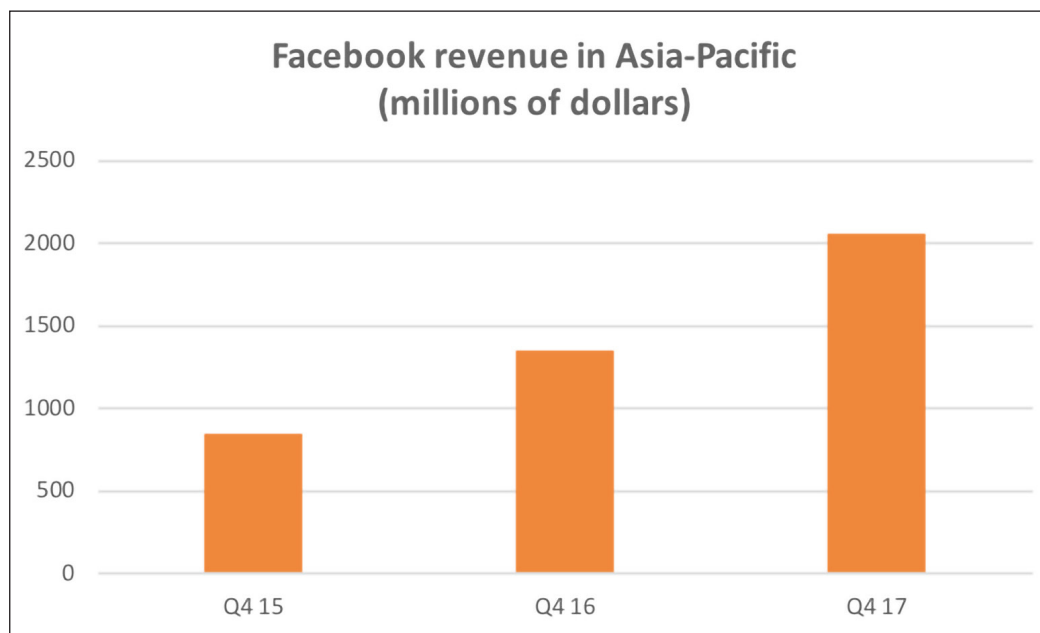


Source : Facebook Q4 2017 results presentation

However, the amount of time spent on the platform globally dropped by 50 million hours a day, indicating that people are spending less time on the platform (Facebook, 2018). Additionally, 'for the first time ever' the number of people logging on Facebook in the United States and Canada fell by 700,000 to 184 million (Kozłowska, 2018). Techcrunch website observed that the user growth between the third and the fourth quarter of 2017 was 'the lowest quarter-over-quarter percentage daily user growth ever reported by the company' (Constine, 2018).

As seen in Figure 1, in contrast to the global figures, the number of daily Facebook users in the Asia-Pacific region, which includes New Zealand, grew 26 percent from 396 million in 2016 to 499 million in 2017 (Facebook, 2018). The number of monthly users in the same period increased 23 percent from 673 million in 2016 to 828 million in 2017. During the same time period, Facebook's revenue reached US\$12.97 billion, and it made US\$4.26 billion in profit.

Figure 2: Facebook revenue in Asia-Pacific in Q4 2015-2017



Source : Facebook Q4 2017 results presentation

Figure 2 shows that in the Asia-Pacific region Facebook's revenue in the fourth quarter grew almost 62 percent from US\$1.3 billion in 2016 to US\$2.1 billion in 2017 (Facebook, 2018). Its advertising revenue in the region increased almost 54 percent from US\$1.3 billion to US\$2.0 billion.

Search gets almost 60% of digital ad spent, social 6%

In the 2016 NZME/ Fairfax New Zealand merger application, the companies noted that the combined company would have an 11.7 percent slice of New Zealand's digital advertising market. According to their application, Google had 37.3 percent and

Facebook 16.4 percent of the market share in digital advertising (Fairfax New Zealand and Wilson & Horton, 2016, p. 54).

In 2017, it was clear that Google had become a dominant force in New Zealand's digital advertising market while social media (such as Facebook) had a relatively low market share. For the fourth quarter of 2017, the total size of the digital advertising market including advertising on mobiles, desktops and tablets was NZ\$257 million. For the full year of 2017, the figure was NZ\$923 million (Interactive Advertising Bureau, 2018). In 2017, social media's (mainly Facebook's) share of the total digital advertising spend was six percent, at NZ\$51 million. Search (mainly Google) gobbled up NZ\$541 million, 59 percent of all digital advertising spent. Classifieds and directories received NZ\$181 million, (20 percent of the market), and display advertising NZ\$150 million (16 percent). The value of programmatic advertising – advertising sold by software – for the full year was NZ\$60 million. From these figures it is not possible to calculate the market share of Kiwi Premium Exchange (KPEX), which is New Zealand media companies' programmatic advertising exchange. The exchange was launched in November 2015, and is a joint venture between Fairfax Media New Zealand (now Stuff), TVNZ, Mediaworks, and NZME. KPEX reaches more than 80 percent of the New Zealand population every month, and it has 800 million advertising page impressions within the exchange each month (Burbury, 2017). According to some sources, 'KPEX now has greater reach in the country than Facebook', but what this means in practical terms is not very clear (Rajeck, 2018).

Facebook's share of news consumption 15%

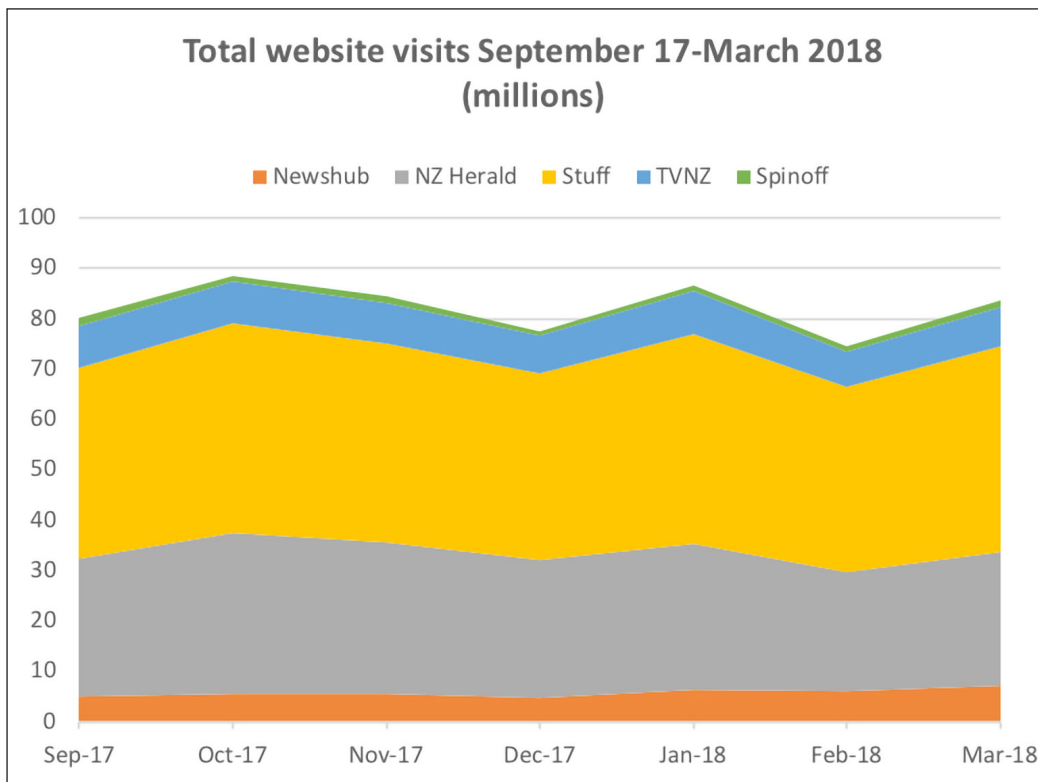
There is little information available about New Zealanders' news reading habits on social media platforms. Surprisingly, an internet search yields hardly any data about New Zealanders' news-reading patterns on Facebook or other social media platforms such as Twitter. What we can find out follows. In 2017, 2.9 million New Zealanders (61%) had an active Facebook account, and 2.3 million accessed the platform every day (Fyers & Cooke, 2017). In 2017, Kiwis accessed Facebook 14 times a day (on average). In 2016, 2.8 million New Zealanders over 15 read a print or online version of a newspaper each week, and 6 out of 10 read news content online (Nielsen, 2016). The internet is the predominant source of information for Kiwis, with 83 percent rating it as a very important or important source of information (Crothers et al., 2015, p.7). 'Looking at news' on the internet is a popular and frequent activity on the internet 'with over half of users reading news on the internet daily' (Crothers et al., 2015, p.8). The latest World Internet Project New Zealand report found that the internet is an important source of

news for New Zealanders, with almost 90 percent checking the news on the net at least weekly. Additionally, it reports almost 41 percent of New Zealanders search news on the net daily (Díaz Andrade et al., 2018). In June 2017, New Zealanders spent 10 hours and 43 minutes per month on Facebook (MOSH, 2017, p.8). Breaking news stories were some of the 'stickiest' pages on Facebook - 64% of Facebook users stayed on Facebook to follow breaking news stories (Dunn, 2015).

According to NERA Economic Consulting, in 2016 online news sites had a 25% share of news consumption 'in a typical week in New Zealand' (NERA Economic Consulting, 2016, p.19). Television had a 21% share of news consumption, Facebook 15%, traditional newspapers 13%, radio 9%, international news sites 9% and others 8% (including blogs and other social media) (NERA Economic Consulting, 2016, p.19). The consulting group states that 'Facebook has the third greatest share as a source of news consumption' (NERA Economic Consulting, 2016, p.19).

Stuff the most visited news site

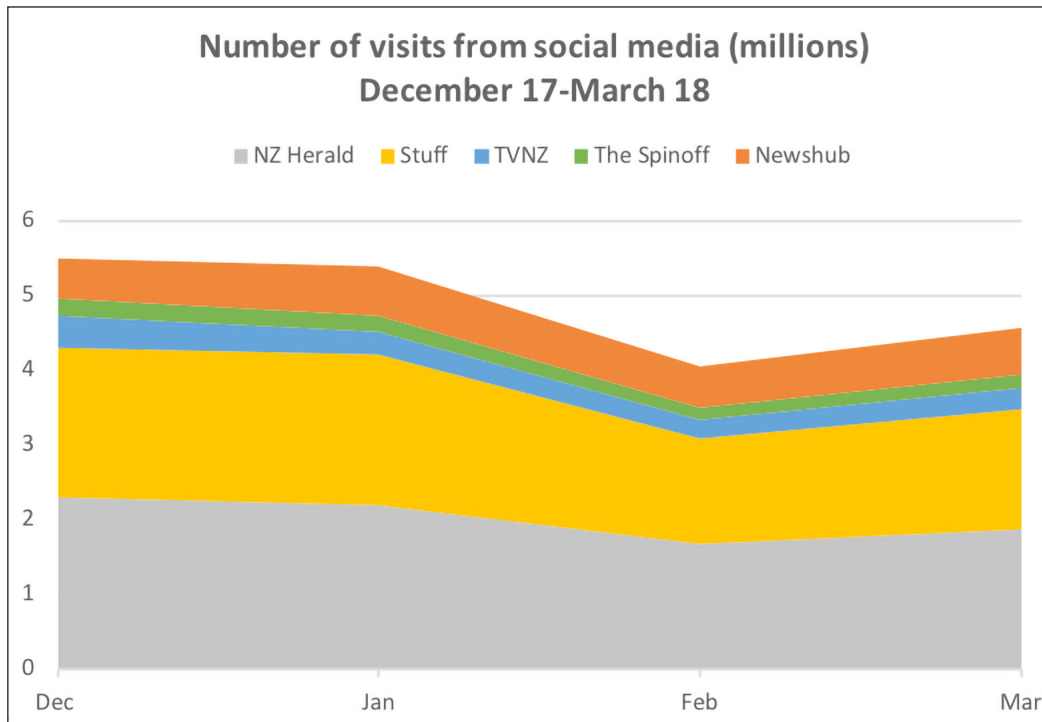
In its final determination about the proposed NZME and Fairfax New Zealand merger, the Commerce Commission outlined that NZME and Fairfax New Zealand (Stuff) websites 'account for around 89% of total page views from New Zealand news websites, excluding mobile apps' (Commerce Commission, 2017b, p.303). It also noted that the two companies accounted for 86% of total time spent on New Zealand news websites, excluding mobile apps (Commerce Commission, 2017b). According to the Commission, in a period from February 2016 to January 2017, Fairfax had 191 million monthly browser page views, NZME 108 million, TVNZ 20 million, MediaWorks 6 million, and RNZ 4 million (Commerce Commission, 2017b, p.303). Similarly, the data retrieved from SimilarWeb shows that, in March 2018, Stuff had 40.7 million visits from desktop and mobile devices whereas *The New Zealand Herald* had 26.8 million, Newshub seven million, TVNZ 7.9 million and *The Spinoff* 1.3 million visits (Figure 3).

Figure 3: News sites visits from desktop and mobile devices

Data source: SimilarWeb

In May 2018, Stuff chief executive officer Sinead Boucher outlined that its digital media offerings were doing well against global players and social media platforms. She said that 'Stuff is not just New Zealand's largest news site, it's the largest New Zealand web site, period' (Boucher, 2018). According to Boucher, Stuff has a monthly domestic audience of 2.2 million, adding that 'only the international giants of Google, Facebook, YouTube and Microsoft command a larger digital audience here' (Boucher, 2018). Stuff's neighbourhood website Neighbourly is New Zealand's 'third most used social media site' with 560,000 members (Boucher, 2018). It has overtaken Twitter, Instagram and LinkedIn and 'now sits behind Facebook and Pinterest as New Zealand's third most-used social media site' (Boucher, 2018).

Figure 4: News sites visits from social media sources



Data source: SimilarWeb

During a six month sample period between September 2017 to March 2018¹, Newshub had the largest increase in visits to its website out of the five companies, up 37 percent. Stuff also had increased visits (+7%), but *The New Zealand Herald* lost some traffic (-1.5%), and so did TVNZ (-2.5%). Visits to *The New Zealand Herald*, Stuff and TVNZ news sites dropped between January and February 2018, most likely because of the summer holiday period in New Zealand. However, it should be noted that Facebook made a change to its algorithm in early January, and this meant that its users' news feeds favoured posts from family and friends rather than posts from news companies. While the number of visits from social media sites, including Facebook, to news sites fell between January and February 2018 (Figure 4), there was a slight rise again in March. This report is not able to assess whether the drop in the traffic was due to Facebook's algorithmic change, and because of the timeframe studied does not make a claim about the longer term impact of this.

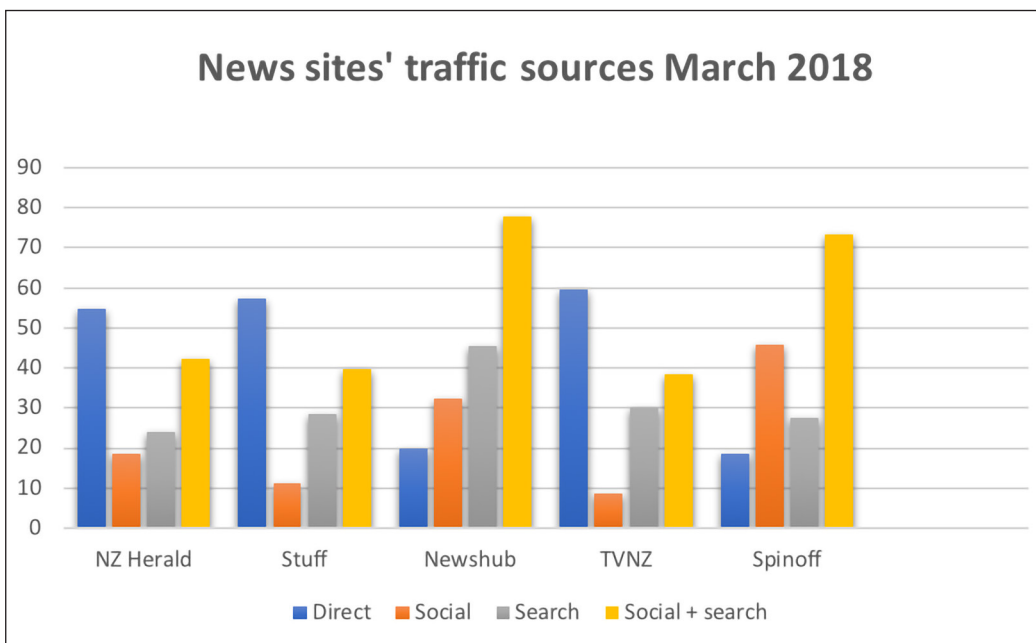
¹ Research done in March 2018, information available for the previous 6 months only.

Over 53% of traffic from search engines and social media

For online newspapers, measuring their traffic – page views, visits and visitors – has become increasingly important as these measures are used to sell online advertising. Online papers gain traffic from multiple different sources: some readers visit news sites directly (direct), some come to sites through search engines (search), social media (social) or from other websites.

In New Zealand, direct and search are more important traffic sources than social (Figure 5). In March 2018, direct traffic was the most important traffic source for three out of five news companies, including *The New Zealand Herald*, Stuff and TVNZ. On average, almost 42 percent of the five companies' traffic came directly to their website. However, there were differences between the news outlets – *The New Zealand Herald*, Stuff and TVNZ had a significantly higher proportion of direct traffic than Newshub and *The Spinoff*. Newshub gained most of its traffic from search whereas *The Spinoff* gained most of its traffic from social media (see Figure 5).

Figure 5: News companies' website traffic sources (% of total)



Data source: SimilarWeb

On average, almost 23 percent of the five news companies traffic came from social media and 31 percent from search. Together, social media and search made up 53.4 percent of the five companies' website traffic (on average). In summary, these figures suggest that four of the largest media companies are more dependent on search than social media traffic (on average), and three are more reliant on direct traffic than social media or search.

Facebook news distribution and engagement

News companies post content such as links to their stories on their Facebook pages to attract larger audiences and to increase traffic to their websites. The data sourced from the social media analytics company BirdSong Analytics reveals some information about New Zealand news companies' activity and content distribution on Facebook. The analytics company has gathered quantifiable data about each news company's Facebook page activity since they started to post content on their pages. Therefore time periods for the recorded data for each company differ.² For example, *The Spinoff* (launched in 2014) has been active on Facebook for four years whereas *The New Zealand Herald* and Stuff activity goes back to 2008.

As Table 1 shows, *The New Zealand Herald* has posted the most content on its Facebook page, followed by Stuff and *1 News* (TVNZ). Together, the five companies involved in the report had posted 23,833 Facebook posts by January 2018. In the period November-December 2017, TVNZ was most active in sharing content on Facebook, posting 13.2 pieces of content each day, followed by Stuff and *The New Zealand Herald* (see Table 1).

² The data regarding total number of shares, likes and comments refers to the data collected since the companies started to post on their Facebook pages. *The New Zealand Herald* data for number of posts, shares, likes and comments is from the period of October 2008 to January 2018; for Stuff from August 2008 to January 2018; for TVNZ from January 2010 to January 2018; for RNZ from March 2010 to January 2018 and for *The Spinoff* from September 2014 to January 2018.

Table 1: News distribution and engagement on Facebook pages

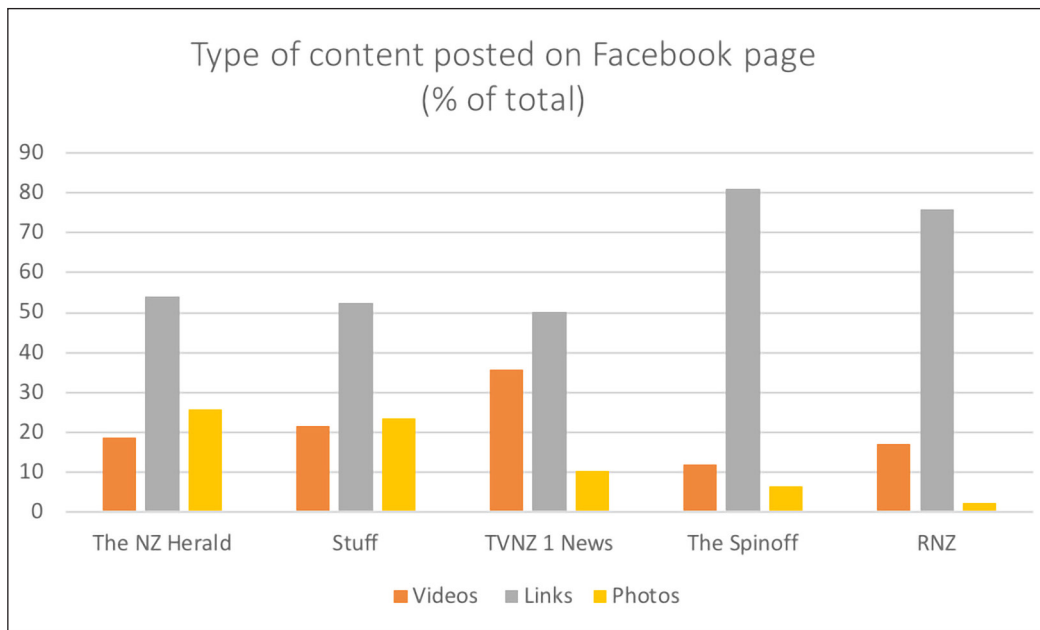
	Total number of fans	Total number of posts	Average number of daily posts*	Total number of shares	Total likes	Total comments
New Zealand Herald (October 2008- January 2018)	870,399	5,902	10.83	1,525,719	4,501,352	825,416
Stuff (August 2008- January 2018)	678,853	5,801	11.44	501,424	1,884,130	726,159
TVNZ 1 News (January 2010- January 2018)	602,758	5,558	13.23	878,610	2,582,487	627,588
The Spinoff (September 2014- January 2018)	63,880	2,178	4.0	41,952	213,975	50,113
RNZ (March 2010- January 2018)	73,384	4,364	10.0	89,972	288,831	48,089
Total	2,289,274	23,833		3,037,677	9,470,775	2,277,365

Data source: BirdSong Analytics, January 2018

*Average number of daily posts refers to the post numbers since posting began. This time period varies for each company and their posting patterns may have changed over time.

The amount of content delivered via Facebook is low compared to the amount of the content published on their websites. News industry sources estimate that *Stuff* and *The New Zealand Herald* publish approximately 200 pieces of content on their websites on a daily basis. All five companies mainly shared links on their Facebook pages while pursuing traffic from the platform, and *1 News* was the most active sharer of video content which is perhaps not surprising (see Figure 6). Approximately 63 percent of all content posted on Facebook by these companies were links, 21 percent were videos and 14 percent photos.

Figure 6: News companies' content posted on Facebook (% of total)



Data source: BirdSong Analytics

As seen in Table 1, *The New Zealand Herald* had the most engagement on its Facebook page content, with the highest number of shares, likes and comments on its content. The newspaper also has the highest number of followers for its Facebook page. TVNZ has the second highest engagement in terms of likes and shares, whereas Stuff has more comments than TVNZ on its content.

Inquiries and suggested remedies

Ongoing inquiries

News companies, government bodies and politicians have raised a range of concerns related to platform companies, from the quality and diversity of journalism to the long-term sustainability of news media outlets. While so far there is no clear policy or path for addressing these concerns, a number of inquiries are underway, and options for regulation and possible remedies to tackle Google and Facebook's dominance are being discussed. In 2018, British media strategist Nic Newman predicted that 'there is likely to be little concrete action against platforms' (Newman, 2018, p.15). He also asserted that the charm offensives of Google and Facebook - journalistic initiatives and projects - are 'likely to head off extreme regulation' as the authorities have no agreed agenda how to regulate the two companies (Newman, 2018, p.15). Similarly, BuzzFeed chief executive officer Jonah Peretti predicted that 'Google and Facebook are going to do more to support news. If they don't, they'll be regulated' (Kakar, 2018). Despite these predictions, regulators, competition authorities, lobby groups and government bodies in Australia, Europe and Britain, and regulators in the United States have launched inquiries to investigate Facebook and Google's market power in local, national and global media markets and settings.

The Australian and British inquiries will offer a benchmark for regulators and authorities elsewhere when they determine Facebook and Google's power in digital media markets. In December 2017, the Australian Competition and Consumer Commission (ACCC) launched an inquiry to establish how Google and Facebook affect news competition and advertising in Australia. The inquiry is expected to present its findings by mid-2019. An issue paper by ACCC outlines that the authority will 'look at the impact, in particular in relation to the supply of news and journalistic content, and the implications of this for media content creators, advertisers and consumers' (ACCC, 2018, p.2). The inquiry examines:

- how and to what extent platform companies affect journalistic content and advertisers;
- how the platform companies impact on the choice and quality of news offered to consumers;
- how the platform companies affect advertising market and innovations in advertising; and
- how the asymmetry in the markets between platform companies, advertisers and consumers impact on competition (ACCC, 2018, p.2).

The British government's review is expected to investigate how dominant Google and Facebook are in the United Kingdom marketplace, and whether the content producers are getting their fair share of the digital advertising revenue or the revenue from the content they offer on platforms. The review, headed by Dame Frances Cairncross, is examining:

- the overall state of the media market;
- threats to the financial sustainability and business models of news publishing industry;
- media content and data flows; and
- the role of aggregators and social media platforms in the digital advertising market (UK Government, 2018).

More importantly, the review will examine 'the particular role and impact of digital search engines, social media platforms and other digital content aggregation platforms with regards to press sustainability' (UK Government, 2018). The review will also assess how effective journalistic initiatives implemented by Google and by Facebook (see above) are in supporting 'the provision of a wide range of high quality, pluralistic news journalism', and whether regulation is needed to support journalism (UK Government, 2018).

In the United States the pressure to act on Facebook and Google is increasing, and new lobby groups have started to emerge. For example, News Media Alliance, which is a trade group for American newspapers, has formed an action committee to take issues related to Google and Facebook to Capitol Hill in Washington.

In the European Union, new privacy law which commenced on May 25, 2018 changed how companies such as Facebook and Google can collect and handle private data. The rule which is called the General Data Protection Regulation protects individuals and their data in the 28 EU member countries.

Suggested remedies

As mentioned above, Google and Facebook have implemented journalism programmes in multiple countries, largely to avoid regulation. An array of potential solutions to the news companies' platform problem have been discussed within news industry and government bodies. In its submission to ACCC's digital platform inquiry, Fairfax Media (Australia) stated that it prefers collaboration between media companies and platforms

instead of regulation. The company said that 'a clear preferred pathway is for publishers and platforms to explore and implement commercial, market-based solutions to the challenges presented by the current operating environment' (Fairfax Media, 2018). The company also noted that taxes may be inefficient tools to address 'platform power', and that other than tax-based 'interventions should be considered as a last resort. As with any regulation, both [tax-based and other regulations] carry risks of unintended consequences that must be seriously considered' (Fairfax Media, 2018, p.9).

Both News Corp's Rupert Murdoch and BuzzFeed's Jonah Peretti have suggested that authorities should force Facebook and Google to pay news companies for their content. Murdoch has urged Facebook to pay 'trusted' publishers 'a carriage fee similar to the model adopted by cable companies' (News Corp, 2018). He argues that this kind of payment would have very little impact on Facebook's profit, but a major impact 'on the prospects for publishers and journalists' (News Corp, 2018).

The Australian Senate's inquiry into the future of public interest journalism suggested that the Australian government could consider tax breaks for 'subscriptions to reputable news organisations' (Parliament of Australia Senate, 2018). Additionally, the inquiry proposed that the government could introduce a special levy for the duopoly (Facebook and Google), stating that 'a levy may be a useful policy mechanism in the future' (Meade, 2018). Pickard (2018) suggests that the United States government should introduce a 'public-media tax' on Facebook and Google's earnings, and this tax 'would generate significant resources for a journalism trust fund' (Pickard, 2018). He calculates that one percent of the two companies' 2017 net income would amount to US\$286 million, and 'this money could seed an endowment for independent journalism' (Pickard, 2018).

In January 2018, financier George Soros predicted that it was 'only matter of time before the global dominance of the U.S. IT monopolies is broken' (Shaban, 2018). He said that the Google and Facebook have become 'ever more powerful monopolies' creating multiple problems for content providers, such as news companies, and therefore they should be regulated (Shaban, 2018). Pickard (2018) believes governments and different markets should consider 'structural interventions that break up, regulate, and create public alternatives' to solve the news industry's Google and Facebook dilemma. It remains to be seen how any of the remedies will be actioned and used to support news industry and their journalism operations.

A summary of suggested remedies to tackle 'platform power':

- Breaking up Google and Facebook
- Heavier taxes for Google and Facebook's advertising revenue
- Tax breaks for news subscriptions
- New taxes such as a 'public media tax'
- Special levies to support public journalism funds
- Direct payments to news companies from platforms³
- Media companies diversity their revenue streams

³ See more information in references: News Corp, 2018; Meade, 2018; Pickard, 2018; Senate, 2018.

Concluding thoughts

Despite claims made to the Commerce Commission that Google and Facebook pose a serious threat to local journalism in New Zealand, there is, to date, no policy response or inquiries from the government (although some extra funding in the government's Innovation Fund may include journalism projects). Yet the impact of Google and Facebook on the traditional news business model, especially in terms of advertising but also in terms of readership, is significant and disruptive.

This report confirms that Google dominates New Zealand's digital advertising market, and in general, it is also a substantial contributor to news companies' traffic. On average, Google and Facebook drive 53 percent of New Zealand news companies' website traffic, but direct traffic is still the primary traffic source for most of the companies. Facebook drives approximately a quarter of the news companies' traffic, and therefore it cannot be ignored as a significant player in New Zealand's media ecosystem. News companies' news distribution activity on Facebook is low (based on the volume of daily posts), and this suggests that Facebook may not be as significant a platform for news distribution as many assume. Facebook itself has stated that news content only makes about five percent of all the content on News Feed (Facebook, 2018). It is clear that news companies gain attention and traffic from the platform. Since the companies began posting content on their Facebook pages, they have gained millions of likes, shares and comments on their Facebook pages (Table 1). Therefore, the platform offers news companies 'meaningful interactions' with their readers (P. Brown, 2018). The author did not receive any information from Facebook to confirm how it supports journalistic projects and initiatives in New Zealand, if any. Google confirmed that it does not have any New Zealand specific journalistic programmes. In the current market environment, both platforms keep gaining from media companies who distribute their content on the platform, but they don't contribute money for the production of content. With no obvious public policy response, media businesses will need to adapt and innovate if local journalism is to be sustained. This is a problem for journalism, and continues to be a problem, not just in New Zealand, but globally.

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About The Author

Dr Merja Myllylahti is a Post-Doctoral Research Fellow at Auckland University of Technology (AUT), New Zealand. She is also a Project Manager and Researcher at the AUT's research centre for Journalism, Media and Democracy (JMAD). Her work has been published in international academic journals and books including *Journalism Studies*, *Digital Journalism* and *The Routledge Companion to Digital Journalism Studies*.

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