

COMPETITION COMMISSION

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RE: RESPONSE TO STATEMENT OF ISSUES

1. INTRODUCTION

1.1.1. Arena Holdings is one of Africa's largest English-language news publishers in print and digital. It owns iconic newspaper brands like the Sunday Times, Business Day, Financial Mail, The Herald, Sowetan and the Daily Dispatch. It has a strong digital news publishing and distribution operation through platforms like TimesLIVE, SowetanLIVE, BusinessLIVE, DispatchLIVE and HeraldLIVE. The company broadcasts on DStv (via Business Day TV, Ignition and The Home Channel) and owns two radio stations in Vuma FM and Rise FM. We own several B2B and B2C magazines, an events division, film distribution and film production businesses as well Gallo Music and two other music business. Gallo remains the oldest recording label on the African continent.

1.1.2. Arena Holdings serves content to an audience of over 10-million digital users (across our various websites) a month, here in South Africa, and from the different parts of the world. Of these, TimesLIVE brings us the biggest audiences as it is one of South Africa's largest websites and our company's flagship digital news brand. The Sunday Times remains South Africa's biggest weekend newspaper.

2. The importance of the media has been stressed by the highest court in the country. The often-quoted passage from *Khumalo and Others v Holomisa*¹ by O'Regan J stated:

¹ 2002 (5) SA 401.

“[22] The print, broadcast and electronic media have a particular role in the protection of freedom of expression in our society. Every citizen has the right to freedom of the press and the media and the right to receive information and ideas. The media are key agents in ensuring that these aspects of the right to freedom of information are respected. The ability of each citizen to be a responsible and effective member of our society depends upon the way the media carry out their constitutional mandate....

[23]

[24]In a democratic society, then, the mass media play a role of undeniable importance. They bear an obligation to provide citizens both with information and with a platform for the exchange of ideas which is crucial to the development of a democratic culture. As primary agents of the dissemination of information and ideas, they are, inevitably, extremely powerful institutions in a democracy and they have a constitutional duty to act with vigour, courage, integrity and responsibility. The manner in which the media carry out their constitutional mandate will have a significant impact on the development of our democratic society. If the media are scrupulous and reliable in the performance of their constitutional obligations, they will invigorate and strengthen our fledgling democracy. If they vacillate in the performance of their duties, the constitutional goals will be imperilled. The Constitution thus asserts and protects the media in the performance of their obligations to the broader society, principally through the provisions of section 16.”

2.1. At Arena Holdings we support this view fully. While our business landscape is currently marred by declining revenues, a situation that has understandably raised concerns about our sustainability, there can be little doubt of the importance of a news media businesses in an open democratic society, such as South Africa.

We believe that our media outlets have never been more relevant than they are today. This is because we are standing on the precipice of what is arguably the most important election since South Africa's first democratic elections in 1994. It is in times like these that the role of a robust and influential media, particularly one that is as deeply rooted in the South African landscape as Arena Holdings, becomes paramount.

The media plays an integral role in defending and upholding democracy. Our news outlets act as vigilant watchdogs, holding those in power accountable, and providing the public with the information they need to make informed decisions. In a time where democracy is being tested

around the world, our role in safeguarding democratic values is more critical than ever. We are not mere observers; we are the voice of the people, and our duty is to empower them with the knowledge necessary to shape their own destinies.

The 2024 election comes at a time when our nation is grappling with numerous challenges. Economic disparities, social inequality, and the ongoing fight against corruption are all issues that demand the full attention of a vigilant media. Our newsrooms work tirelessly to expose injustices, shed light on critical matters, and create a platform for dialogue and debate. We are, and have always been, at the forefront of promoting a more just, inclusive, and equitable South Africa.

3. Below we have responded to each of the questions set out in the Statement of Issues.

a.) What is your view on the future trends for traditional print and broadcast media consumption, and its relative importance for news organisations/broadcasters.

The future trends for traditional print and broadcast media consumption in South Africa, much like in the rest of the world, are shaped by the rapid advancement of digital technologies and changing consumer habits. While traditional print and broadcast media are facing significant challenges, our belief as Arena Holdings is that these mediums, contrary to the dominant view, are not becoming obsolete. Their role is just evolving. Successful news media businesses and broadcasters will be those that effectively integrate traditional and digital media, offer personalized and trustworthy content, and engage audiences through multiple platforms and revenue models. The relative importance of traditional media will hinge on its ability to adapt, innovate, and maintain relevance in the rapidly changing media consumption landscape.

We know that traditional media consumption is declining as audiences increasingly migrate to digital platforms. Print publications have been particularly hard hit, with many newspapers and magazines experiencing a drop in circulation. Broadcast media, while still relatively strong, are also facing challenges from streaming services and online content platforms. In response, news media businesses must adapt by developing robust online presences and diversifying their content offerings, including:

- **Multichannel Strategies:** Media companies who are going to survive in the future are those with multichannel strategies that encompass print, broadcast, and digital formats.

By doing so, these companies will be able to cater to a wider audience, ranging from those who prefer traditional media to younger generations who are more inclined towards digital content. The key is in integrating content across these channels to provide a seamless experience for consumers.

- **Mobile Penetration:** South Africa has high mobile penetration rates, and smartphones are becoming the primary means of accessing news for many people. This means that media organizations must optimize their content for mobile consumption, including short-form video, podcasts, and apps that facilitate easy access to news.
- **Personalization and Data:** There is a growing expectation for personalized content. Leveraging data analytics to understand audience preferences and behaviours can allow broadcasters and publishers to tailor content and advertising, enhancing user engagement and loyalty. Privacy concerns and regulations like POPIA (Protection of Personal Information Act) will be crucial considerations in how this data is managed.
- **Quality and Trustworthiness:** In an era of 'fake news' and misinformation, there is a growing demand for credible, well-researched journalism. Traditional media outlets often have a longstanding reputation for quality reporting, which can be a competitive advantage. They must maintain high journalistic standards to preserve this trust and authority.
- **Revenue Models:** The decline in print advertising revenue and the fragmentation of broadcast audiences will continue to push media organizations towards new revenue models. Paywalls, subscriptions, memberships, and branded content are becoming more prevalent. For broadcasters, multi-platform content distribution with strategic ad placement will be vital for revenue.
- **Local Content and Languages:** South Africa's diverse linguistic landscape means there is a demand for content in multiple languages. Traditional media could capitalize on this by offering content that resonates with local communities and in languages that are not always catered for.

b) What is your view of the current levels and mix of digital media adoption by consumers and use by new media? Which digital mediums are likely to emerge as the predominant forms of news media consumption in the medium-to-long term for consumers and news media organisations? For instance, what is the mix of consumption on digital platforms, news media sites and subscription, and what are the different consumer journeys online to content?

The current levels and mix of digital media adoption by consumers are indicative of a transformative landscape, with a significant shift towards digital platforms. This transition has been accelerated by broader internet access, the proliferation of mobile devices, and evolving consumer preferences, especially among younger demographics.

The mix of digital media consumption is heavily skewed towards mobile and social platforms, with new media leveraging these for distribution and engagement. The predominant forms are likely to enhance personalization and interactivity, with video content continuing to surge in popularity. Understanding and optimizing the various consumer journeys to content is critical for news media businesses aiming to maintain and grow their audience in the digital era.

It is well known fact that social media and messaging platforms are becoming crucial for news discovery and dissemination. It would be remiss for any media organisation to ignore the impact of TikTok on the news media landscape. The video-led platform has resulted in a disruption on social media platforms and how news is hosted, produced and shared. The Reuters Institute: Digital News Report 2023 demonstrates how there was declining engagement with traditional networks like Facebook and an increase in engagement with TikTok and other video-led platforms, particularly amongst the 18-24s across markets. The other key considerations here are:

- **Websites and Apps** - *Traditional news media organizations have established a strong online presence through websites and apps. While some offer free content, others have implemented paywalls or subscription models to monetize their digital offerings.*
- **Video and Streaming Platforms** - *YouTube and other video platforms serve as significant sources for news-related content, whether from traditional news outlets expanding their digital footprint or from independent content creators and vloggers. YouTube has positioned*

itself as a delivery channel for video content from traditional news media organisations. While we have millions of hours of video content hosted on YouTube, we have not been able to generate the kind of revenues that would make YouTube a critical partner for content distribution. They benefit more than traditional news organisations benefit from their own content.

- **Podcast and Audio platforms** - *The rise of podcasting has added an audio layer to the digital news mix, with many consumers tuning in for in-depth discussions, interviews, and news roundups. This content is, like video content, hosted on third party platforms. While all traditional media organisations are investing millions of rands in developing their podcast offering, it is the third-party platforms that benefit through subscription models that don't benefit traditional media houses who produce this content.*
- **Aggregation and Curation Services** - *News aggregator apps and services that curate content based on user preferences are increasingly popular for personalized news consumption. These, too, are becoming a huge disadvantage for traditional media as they aggregate our content, and they benefit from it.*

c)How is the transition to digital media likely to affect consumption of community-based news, vernacular publications, and new entrants to news media publishing?

In our group we have three community newspaper titles and all of them are in the Eastern Cape province. We own Go & Express which focussing on the suburbs of Easter London, The Rep in Komani (formerly Queenstown) and its surrounding towns and villages. The third one is Talk of the Town in Port Alfred. These publications have become an integral part of these communities and have served them well in the past couple of years.

As big-tech and digital platforms became dominant players in news distribution in the last 10 years or so, we have seen how, while there may an online audience for community news, there is no sustainable business model to support local journalism essential to community news publications. This is because online advertising revenue, even at local level, is monopolised by the digital platforms such as Meta (Facebook) and Google.

Social Media platforms and even messaging platforms have seen the gap and are now encouraging user generated content through community groups, and they monetise this with their own advertising and thereby compete with community based publications. These community groups, while providing some information, cannot replace vibrant, local, relevant

and exclusive journalism that is produced by local news operators. This is because there are no rigorous journalistic standards that complied with, and misinformation often proliferates in these environments often causing harm to the same communities these groups claim to serve, and allowing communities be manipulated.

At the same time from a digital perspective these community titles are dependent on these same platforms for their distribution, via search and social media algorithms, and are at the mercy of the same platforms they compete with for their audience. If algorithms are changed audiences can be lost overnight along with accompanying advertising revenue, without any recourse.

All publishers are at the mercy of the algorithms of these giants, while they profit off the content generated by placing adverts alongside the search results reflecting news created by the publishers. Even the revenue generated by banner adverts on the publishers own websites is diluted drastically by the technologies driving digital advertising, ensuring that these same platforms get the lion's share of the advertising which should be due to the publishers.

The digital market has been monopolised by these global digital platforms, and if left unchecked this will result in the demise of quality journalism at a local level and a drought of the essential information which drives the engagement necessary for a functioning democracy at local municipal and community level. This means less accountability

Vernacular Publications:

Digital media should in theory broaden access to audiences but without sustainable business models due to domination of the digital platforms vernacular news publications cannot succeed. The platforms are generally slanted to having English as the main and default language of communication further making it difficult for vernacular publications to thrive, especially with regards to advertising in vernacular languages.

New Entrants to News Media Publishing:

While there are some opportunities for new entrants to news media publishing presented by digital media, any new entrants are also competing with the huge digital platforms for audience engagement and advertising and this domination of the market makes it very difficult for these publications to survive in the long term. The only sustainable path for new entrants is focus on subscription based models, but a critical mass of subscribers cannot be built quickly,

meaning that this creates a huge barrier to entry as a prohibitive amount of funding is necessary to get new entrants off the ground. This can be demonstrated by the success rates of “legacy publishing houses” who have been pursuing subscription revenue for several years with many not yet achieving sustainable levels of revenue from this source of revenue despite several years of investment. New entrants to the market will almost certainly be kept out by the domination of the global giants.

d)What is your view on domestic consumption of foreign news publications, the role of digital platforms distributing this news media and if it has any impact on the consumption of local media? Please elaborate.

The consumption of foreign news publications has, largely, been distributed and is now consumed on digital platforms, and this trend is likely to have nuanced impact on the consumption of local media. International content used to be only available for consumption on local media platforms – including print and broadcast. South African news consumers, anecdotally, consume a lot of international news. So, there is a huge appetite in what is happening in the rest of the world. This interest is best demonstrated (at least on the Arena platform) on BusinessLIVE where at least 33% of subscribers accessed Bloomberg content. You also see this in the level of engagement on social media platforms, current affairs talk shows on radio and television and by the number of letters to the editor – from the war in Ukraine and what is currently happening in the Gaza strip now.

Unfortunately for local news media publishers, foreign news content is becoming too expensive, and many cannot afford to buy a foreign news service. Back in the day, news media organisations would subscribe to several foreign news services – on top of the news content that they would get from their own correspondents in different centres around the world. Those who can still afford this, only subscribe to just one foreign news service – many have cut out this expensive completely.

At Arena Holdings, we are lucky to still be able to bring foreign news to our consumers to partnerships with established international news organisations like Bloomberg and AFP. We also have a deal with Bird.News, which offers our readers a different take and a positive narrative

about Africa. But this is a far cry from the days when we could have all of them. We even had bureaus around the world in places like London and New York. At one point we even had a bureau in Harare which was responsible for generating enough news content for the Sunday Times to publish a Zimbabwe edition. And because of declining revenues we, like other media organisations, can no longer afford this.

This is also because digital platforms have seen a gap, allowing for greater access to foreign news. This has created a competitive environment for local media. The impact on local media consumption is complex; on one hand, there is potential for improved journalistic practices and broader perspectives among domestic audiences, and on the other, there are economic and cultural challenges for local media outlets. The key for local media is to leverage their unique strengths—proximity, cultural context, and local expertise—to maintain relevance and engagement with their audiences in the face of global competition.

Having access to foreign media or international news is very important in our efforts play our part in strengthening our democracy as it exposes domestic audiences to diverse cultural and political viewpoints, which can challenge local norms and narratives. This is why we, at Arena Holdings, are thinking of establishing strategic relationships with media organisations in the BRICS countries. With South Africa having just successfully hosted the BRICS Summit, we are seeing a huge interest in news coming out of the BRICS countries. As we continue to strengthen economic ties between these countries, so too is the growth of interest in those countries.

e) How do you think the funding models of online news media are likely to evolve over time and what funding models do you consider optimal for the sustainability of news media? What influence is corporate or special interest funding having on the news agenda?

Our view as Arena Holdings is that the path to financial sustainability for any media organisation is reader revenue. The revenue models for online news media are in a state of flux, driven by the search for sustainable revenue streams that can support robust journalism in the digital age. News, especially 'bad' news, is a grudge purchase for many organisations. This is why news organisations need to establish what would make their readers pay for news. Revenue that comes directly from the readers through subscriptions, memberships and donations is critical for long-term sustainability of the news organisations.

A model which appears to be showing signs of revenue longevity is the membership model. Readers feel a connection to what they are paying for. They pay because they see justice served through content. They contribute to blogs and columns. They are part of a community. The research shows us that general paywalls are stagnating and getting community involvement is key to sustainability.

Online news media are likely to continue experimenting with various funding models, with hybrid models appearing the most sustainable. The challenge lies in balancing revenue generation with editorial independence, especially when corporate or special interest funding is involved. Ensuring transparency and fostering audience trust are paramount for the long-term viability of the news media in a digital landscape. So, a model that combines subscription revenue with advertising, memberships, and other streams can provide a more stable financial base for any news organisations.

Scope item 2: Evaluate whether market features distort competition for advertising revenue, consumer data and subscription fees between news media organisations and the relevant digital platforms that display and distribute news media content as intermediaries to consumers, including news aggregators;

Scope item 2 Questions

f) In general, how do you see news media organisations relationship with digital platforms? Are there areas of competition and areas of complementarity? How do digital platforms use news media content in their ecosystem and how is the relationship between digital platforms and news media organisations formalised?

The relationship between news publishers and digital platforms is very complex. Their (digital platforms) only pursuit is the growth and market power of global digital platforms at the expense of tradition print and media and news organisations. From where we are sitting, it is difficult to see how the two can live together in perfect harmony as you cannot give foxes the responsibility of looking after the chicken. It is well documented that with the shift towards digitalisation (and

the decline in print), advertising revenue for news publishers has declined. Publishers have lost a substantial portion of their display advertising which shifted to digital platforms who do not produce any news content of their own.

Areas of competition:

There are several areas of competition between news media businesses and the digital platforms. We are all aware that the entire digital advertising is complex with several digital platforms vertically integrated into the ecosystem. Within these vertical relationships, digital platforms may be seen acting as both “sellers” of referral services (paid by publishers through sharing their news content) and “buyers” of news content (in exchange of increased visibility/traffic for publishers and a fee).

Are there any areas of complementarity?

Yes, there are. However, they are few in our view. One is of these the use of social media as a digital platform that can significantly amplify news content and help traditional news media publishers to reach wider audiences. The other area is that these platforms can be helpful to news media in allowing helping our journalists to experiment with several types of storytelling and this can help enhance our journalism and our offerings. Other than these two we don't see any other area of complementarity as these platforms are not meant to complement what we do, but to take away our content and build a revenue model around it.

Use of News Media Content in Digital Platforms' Ecosystem: Digital platforms typically operate based on multi-sided business models, creating value by allowing various type of users (both businesses and individuals) to engage through their ecosystems. The nature of the news publishers-digital platforms relationship is very complex. From the news publishers' perspective, this relationship is characterised by a tension between the short-term operational opportunities of using digital platforms as effective channels of distribution of news content and the long-term concern to become “too dependent” on these platforms.

Aggregation: News aggregators like Google News compile content from various news sources. They claim that this makes it easier for users to access a range of articles on a single topic. But media houses lose out as users go to these aggregators for their news content needs and no longer visit traditional news media publishers' platforms.

Social Sharing: News content is frequently shared on social media platforms, which can increase visibility and traffic for news media businesses but also places control of distribution in the hands of the platform's algorithms.

Licensing Agreements: Platforms are entering into licensing agreements with news media businesses to legally display their content, sometimes including payment to the publishers. The licensing arrangements in our opinion are skewed towards the digital platforms that notwithstanding the fact that they did not create the content, they receive the lion's share of advertising revenue in terms of the licence agreement.

g) In your view what are the most important factors shaping competition between digital news media and digital platforms for ad revenue, consumer data and subscription revenue? Please elaborate.

There are several key factors shaping this competition, and these include:

- **User Attention and Engagement:** A key factor for effective competition among news publishers is content exposure to the public. Traffic generated by users accessing to news websites and applications is an essential part of digital distribution. Digital Platform have sophisticated algorithms to keep users engaged, serving up a mix of news, social interactions, and entertainment that can be more compelling than news content alone. It appears that the algorithms are at the discretion of the digital platforms.
- **Data Collection and Personalization:** We are not happy that as publishers we have limited access to user-level data for our own news content hosted within digital platforms. Digital platforms only provide us access to data in aggregated and anonymised form, making it difficult for us as news publishers to build our strategies for selling advertising inventory using their own content.
- **Vertical integration:** The vertically integrated platforms run integrated sales functions, often based on the use of quality adjusted second-price auctions, for the sale of their own advertising inventory. This is generally referred to as 'owned and operated' inventory. In contrast, in the open display market, publishers and other content

providers compete to sell advertising inventory using a wide variety of third-party intermediaries and exchanges.

h) What competitive distortions, if any, do you consider exist for user attention, engagement and ad revenue given the competing interests of digital platforms? Please elaborate.

There are several competitive distortions in the various relationships between news media businesses and digital platforms:

- **Algorithmic Control Over Content Distribution:** Digital platforms like social media use proprietary algorithms to determine what content users see, often prioritizing content that maximizes user engagement on the platform rather than content quality or accuracy. This can result in news media, which often prioritize newsworthiness and journalistic standards, getting less visibility unless they pay for promotion.
- **Access to Data:** Through tags, login tools, plug-ins and interaction buttons, digital platforms collect valuable data from users consuming content and interacting on news publishers' websites and applications. Digital platforms also have access to user data through ad tech products provided to news publishers.

To reiterate the point made above, we are concerned about the limited access to user-level data for our own news content that is hosted within digital platforms. It is not rocket-science that anyone with extensive data collection practices has a competitive advantage in ad targeting, creating a distortion as they can offer advertisers more precise targeting compared to news media that might have stricter data usage policies or less data collection capacity.

- **Inequitable Revenue Sharing:** When news content is consumed within a platform's ecosystem (e.g., through a news aggregator or social media), the platform often captures a sizeable portion of the ad revenue, leaving news providers with a smaller slice of the pie. This can distort the market by disincentivizing high-quality news production.

i) What user data is required for successful targeted advertising and what data do digital platforms and news media organisations get in the current relationship? Please elaborate.

Firstly, we agree fully with Bertin Martens' statement that: "Data sharing with competitors may prevent an upstream monopolistic data collector from foreclosing downstream services markets. For example, car manufacturers design the car data architecture to retain exclusive access to car data, which they can leverage to increase their share in aftersales services markets. Mandatory data access for other aftersales service providers can prevent this competition problem. Opening data access may backfire however. It may reduce rather than increase competition when data from small competitors are aggregated by large platforms that can offer users additional advantages, based on economies of scope in re-use and aggregation with other data sources ²."

He further states that "Data sharing with potential competitors will erode their data aggregation monopoly, lower the value of the data and undermine their ability to monetise the data and invest in data collection. In a multi-sided market, modifying access conditions on one side of the market will have implications for other sides. For example, forcing a search or social media platform to share consumer data with competitors may not only affect consumer privacy. It lowers entry costs into advertising and will force platforms to increase entry costs on the consumer side, or integrate new money-raising sides into the platform to compensate the lost revenue ³."

Finally, he states that "Since data are not a homogeneous product, data access and sharing can be restricted to a degree of coarseness that preserves some incentives and advantages for the original data collector while still broadening competition in the market for data-driven services. That would require a careful balancing act and constant market and technology monitoring by regulators⁴."

It is against this background that we propose that measures should be taken to reduce data-driven barriers to entry in ad tech services and thus unlock competition. Data portability and interoperability measures have in principle the potential to lower data-related barriers to entry by increasing data mobility.

j) Provide insights into the competition for subscription-based news media and the interaction between aggregators and news media organisations. What is your view on the future sustainability of this business model and the role in the overall distribution mix?

² *Data access, consumer interests and social welfare An economic perspective on data* by Bertin Martens (2020),page 15.

³ Op cit note, page 15.

⁴ Ops cit note, page 15.

While the subscription model faces challenges, it is an essential component of the distribution mix that can provide a steady revenue stream and foster a loyal reader base. However, it requires ongoing innovation, a deep understanding of audience needs, and strategic partnerships to remain sustainable. The rise of aggregators has complicated this landscape, but it also offers opportunities for increased exposure and potential new revenue avenues if managed effectively. The dynamic between news media organizations and aggregators is complex and often contentious, with several implications for the sustainability of the subscription model.

While the subscription model for news media is under pressure, it is not without opportunity. The sustainability of this model may depend on several factors, including:

- **Unique and High-Quality Content:** Offering content that cannot be found elsewhere remains a key to subscription success.
- **Multi-Tiered Subscriptions:** Having various subscription levels, including a free, basic tier with the option to upgrade, can cater to different consumer segments.
- **Membership Perks:** Providing subscribers with additional benefits such as exclusive events, community access, or discounts can increase perceived value.
- **Local and Niche Focus:** There is a growing market for local news and niche topics where dedicated audiences may be more willing to pay for subscriptions.
- **Cross-Platform Presence:** A strong presence on social media and other platforms can help news media to build relationships with potential subscribers.
- **Microtransactions and Paywalls:** Innovative payment models such as microtransactions for individual articles or metered paywalls can attract users who are hesitant to commit to full subscriptions.

What is the role of subscriptions in the overall distribution mix?

The role of subscription-based models in the overall distribution mix is likely to evolve to become more multifaceted:

- **Diverse Revenue Strategy:** Subscriptions will become central to any revenue mix and will complement other revenue streams such as advertising, sponsored content, and events.
- **Collaborations with Aggregators:** News media businesses might forge more symbiotic relationships with aggregators, seeking compensation or shared revenue models.

- Value-Added Services: Integrating analytical tools, archival access, and personalized content can enhance the value of subscriptions.

Interaction Between Aggregators and News Media Organizations

The interaction is unfortunately plagued by imbalance. The following issues contribute to the imbalance:

- **Traffic Referral:** Aggregators can drive traffic to news media websites, which can be monetized through advertising and potentially convert users to subscribers.
- **Content Devaluation:** Aggregators sometimes offer enough content in their snippets or feeds that users do not feel the need to click through, potentially devaluing the content.
- **Negotiation Power:** Large aggregators have significant negotiation power, and often, it's a "take it or leave" arrangement, skewed drastically in favour of the aggregator.

Scope item 3: Evaluate whether the commercial relationship between news media and relevant digital platforms is characterised by imbalances in bargaining power and the impact of such imbalances on competitive outcomes affecting the news media industry, including pricing and non-price outcomes.

Scope item 3 Questions

k) Would you characterise digital platforms as distributors/intermediaries or buyers of news media content or both? Please elaborate on your answer.

It is our view that digital platforms can be characterized as both distributors/intermediaries and buyers of news content, depending on the nature of their relationship with news media organizations and the specific functions they perform. Digital platforms, such as social media sites, search engines, and news aggregators, primarily serve as intermediaries in the news ecosystem. They distribute content by making it more accessible to a broader audience through their networks. The key characteristics of this role include:

Recent studies conducted by competition authorities pointed out that the online distribution of news content heavily relies on a few digital platforms, resulting in many news businesses becoming dependent on such platforms as key sources of referral traffic, while lacking alternative suppliers also as result of substantial entry barriers.

It is an established fact that news publishers face an imbalance of bargaining power when dealing with these digital platforms. This imbalance is exacerbating market failure issues already affecting public interest journalism. Ultimately, the imbalance of bargaining power causes multiple disadvantages for news publishers and it results in publishers having “little choice but to accept the terms offered by these platforms.

As distributors, digital platforms do not typically pay for the content they help circulate. However, they benefit from the content as it increases user engagement and time spent on the platform, which is monetizable through advertising.

Digital Platforms as Buyers of News Media Content:

In certain arrangements, digital platforms can also function as buyers of news media content. This usually occurs in one of the following scenarios:

- **Licensing Deals:** Some platforms enter into licensing agreements with news media organizations to feature their content directly on the platform, which can involve payment for the rights to use the content.
- **Content Partnerships:** There can be partnerships where platforms commission or co-create content with news media, particularly for exclusive features or for platform-specific channels like Facebook Watch or YouTube News.

Digital Platforms as Both Distributors and Buyers:

Platforms like Google News and Facebook News have evolved to embody both roles. They function as distributors by aggregating content and directing traffic to news media sites, and as buyers when they enter contractual arrangements to compensate publishers for their content. The balance between these roles is a subject of ongoing negotiation and regulatory interest. Arena Holdings, as a news publisher, we are among those advocating for fair compensation for our content.

!In your experience what are the bargaining power dynamics between news media organisations and digital platforms that distribute online new media content? Please elaborate and indicate the salient dynamics.

The digital platforms are either dominant or have substantial market power which serves as the foundation of the relationship with news media businesses. To fully understand this, it is useful to look at other jurisdictions on the issue. The CMA identified two main concerns:

1. First, Google has been able to use its market power in search and its wider ecosystem to build its position as a DSP. This has involved leveraging its user data and large base of advertisers (from Google Ads) to favour its DSP and tying access to YouTube to use of its DSP services.
2. Second, Google's position at each level of the value chain means it has the ability and incentive to exploit its position on both sides of a transaction to favour its own sources of supply and demand. Google's market power gives it the ability to exploit these conflicts by discriminating in favour of (aka self-preferencing) its own activities, further reinforcing its market power.

Google actively maintains secrecy over a variety of elements in the complex and fast-evolving functions it serves in this market—we call this “opacity”—which makes it difficult for market participants to understand the prices they pay and the value they receive. Opacity also suppresses entry in that potential competitors cannot demonstrate (to publishers, advertisers, or investors) that they can offer lower prices or higher quality than Google⁵.

Large digital platforms like Google and Facebook have significant bargaining power due to their vast user bases and the advertising revenues they command. This makes them key distribution channels for news media. The ability of these platforms to change algorithms as they feel fit, results in media organisations pandering to their restrictions. As media organisations we have become so dependent on these platforms as a source of traffic and revenue. In the case of Arena Holdings, although the referral traffic from Facebook has declined in some cases, it remains the single biggest source of social media traffic.

Dominance can generally be considered a form of market power that is substantial (i.e., relatively unrestrained by competitors, both actual and potential, as well as by consumers) and lasting (rather than transitory). In other words, a firm with substantial market power may have the ability to exclude competitors or impose exploitative terms on consumers or businesses. Digital platforms' market power derives essentially by: (1) lack of alternatives for businesses

⁵ *Roadmap for a Digital Advertising Monopolization Case against Google*, F Scott Morton, and DC Dinelli (May 2020).

and consumers utilising these platforms; and (2) entry barriers resulting from network effects and data that can insulate dominant firms from competitive pressure. Market shares could represent an indication of market power but may be less meaningful in digital markets.

m)What are your views on the snippet policy employed by the digital platforms you depend on to distribute your online news content? If it is the case, what snippet policy would better represent a fair balance of power?

Links to news displayed on general search services are often supplemented by excerpts or summaries of content (so-called “snippets”). In several cases (especially where there is no specific regulation in this regard), there is no contractual relationship between news publishers and general search service providers defining a remuneration and other terms for these services. There are two main concerns about snippets.

- First, while snippets may be beneficial to users of general search services – depending on their length and detail– they may reduce the incentives for users to access news content on publishers’ websites and applications.
- Second, there is no negotiation as to the terms of these snippets, leaving news publishers just to opt in or out.

The ideal snippet policy should strike a balance where both news media businesses and digital platforms benefit from the increased engagement and traffic while ensuring that news providers are adequately compensated for their content. The policy around these snippets can significantly affect how news media content is accessed and valued.

What are the Current Views on Snippet Policies:

- **Traffic vs. Value Capture:** Snippets can drive traffic to news websites if users click through to read the full article. However, if the snippet reveals too much information, users may not feel the need to visit the original site, allowing the platform to capture most of the user engagement value.
- **Fair Compensation:** We are among those news media businesses who have been arguing that digital platforms should compensate us for the snippets displayed, as they

use this content to keep users on their platform and enhance their own advertising revenue streams.

- **Impact on Revenue:** The presence of snippets can impact news media businesses' advertising and subscription revenue. A well-crafted snippet might entice users to click and read more, potentially leading to ad revenue or even subscriptions. Poorly designed snippets or those that are too revealing can have the opposite effect.

As Arena Holdings we strongly believe that for a snippet policy to represent a fair balance of power, several elements should be considered:

- **Length and Content:** Snippets should be brief enough to function as a teaser that encourages click-through to the publisher's site but not so informative that they replace the need for reading the full article.
- **Opt-In/Opt-Out:** Publishers should have control over whether their content is used in snippets and to what extent, including the ability to opt-in or opt-out of snippet features.
- **Revenue Sharing:** If a platform generates substantial engagement or ad revenue from snippets, there should be a fair revenue-sharing model in place that compensates publishers accordingly.
- **Attribution and Branding:** Snippets should clearly attribute content to the source and maintain the branding elements to ensure publishers receive due recognition.
- **Engagement Metrics Sharing:** Platforms should share data with publishers on how snippets affect user engagement and site traffic to help optimize the content for mutual benefit.
- **Negotiable Terms:** The terms of snippet use should be subject to negotiation between platforms and publishers, rather than unilaterally imposed by the platform.

- **Click-Through Rate Optimization:** Platforms could collaborate with publishers to determine the best snippet formats that optimize click-through rates, benefiting both parties.

This balance requires ongoing dialogue, willingness to experiment, and, often, regulatory guidance to protect the interests of all stakeholders involved. As the digital landscape evolves, so too must the policies governing it, to reflect the changing realities of content consumption and distribution.

n) Do you consider the current share of advertising revenue, where digital platforms share revenue, to be fair? If not, elaborate on why?

This is exactly the bone of contention in our on-going fights with the digital platforms. This is because we believe that there is unfortunately no fairness in the share of advertising revenue that digital platforms distribute to news media organizations. Below are a few considerations:

- **Disproportionate Value Extraction:** Digital platforms benefit from the content produced by news media businesses by using it to engage users and keep them on their platform, which in turn generates advertising revenue for the platform. However, the proportion of revenue shared with the news media businesses that create the content is often seen as disproportionately small relative to the value it creates for the platform.
- **Dominance of Digital Platforms:** A small number of large digital platforms control a significant share of online advertising markets. This concentration of market power means that platforms can set terms that are less favourable to news media businesses, which may not have sufficient bargaining power to negotiate better terms.
- **Transparency Issues:** There is often a lack of transparency in how advertising revenue is generated and shared. Without clear insights into the algorithms and metrics that determine ad placement and revenue distribution, news media businesses cannot accurately assess whether they are being compensated fairly.
- **Impact on Journalism:** Many argue that the current revenue-sharing arrangements do not provide enough support to produce quality journalism. The decrease in advertising revenue for traditional news media has led to newsroom layoffs and reduced capacity for in-depth reporting.

- **Platform Prioritization:** Algorithms prioritize content that engages users, which may not always be news content. As a result, news media businesses may receive a smaller slice of the advertising pie compared to other types of content producers.

To address these issues, we are suggesting a different approach, including:

- **Increased Revenue Sharing:** Proposals for platforms to increase the percentage of advertising revenue shared with news media businesses.
- **Direct Payment for Content:** We suggest that platforms should consider paying news media businesses directly for the use of their content, beyond advertising revenue sharing.
- **Regulatory Intervention:**
- **Collaborative Ad Platforms:** Initiatives where news media businesses collectively negotiate with platforms or develop their own ad platforms to better capture the value of their audience.

p) What are your views on the bargaining power of global news media organisations relative to local news media organisations and the terms and conditions they can extract? Where possible provide examples of what you consider to be unfair and why.

One can I presume that the power dynamics between global and local news media and digital platforms are imbalanced, with larger entities able to secure more favourable terms. This imbalance can undermine the vitality of local journalism and reduce the variety of perspectives in the news ecosystem.

Global news media businesses such as The New York Times, BBC, and CNN have considerable influence and reach, which they are likely to leverage in negotiations with digital platforms. Their vast audience base and international recognition often afford them better terms, including:

- **Market Influence:** They can drive significant traffic to digital platforms, which gives them a certain degree of leverage.
- **Diverse Revenue Streams:** Global entities typically have multiple revenue streams (subscriptions, international syndication, advertising) which may afford them a stronger negotiating position as they are not solely dependent on platform-generated revenue.

- **Brand Power:** Strong brand recognition can provide these organizations with the influence to demand better terms, including higher rates for advertising revenue shares and more favourable content licensing agreements.

Conversely, local news media businesses often have less bargaining power due to smaller audiences, less brand recognition, and fewer resources to invest in legal and negotiation expertise. They might face the following challenges:

- **Limited Negotiation Leverage:** Smaller audience reach means that their content is less likely to significantly impact platform traffic, reducing their leverage in negotiations.
- **Dependency on Platforms:** Local media often rely more heavily on digital platforms for visibility and traffic, making them susceptible to accepting less favourable terms.
- **Resource Constraints:** Smaller operations may lack the legal and financial resources to negotiate effectively or to pursue alternative revenue models.

Below are examples of unfair practices:

- **Algorithmic Dependence:** Small publishers are often disproportionately affected by algorithm changes. For instance, when Facebook changed its News Feed algorithm to prioritize content from friends and family over publishers, many small media outlets saw a significant decrease in traffic.
- **Content Monetization:** Global giants can often negotiate better rates for ads or subscriptions because they bring more value to platforms. In contrast, local players frequently get a smaller slice of the advertising pie and might not have the same opportunities for content monetization.
- **Data Access:** Large news companies may have the ability to negotiate better access to user data or analytics, which can help them optimize content for engagement. Local news outlets, on the other hand, might have to operate with limited insights, hindering their ability to compete effectively.
- **Content Licensing:** A prominent example is the agreement between Google and French publishers where Google agreed to pay for content. While significant, this type of deal is more difficult for smaller publishers to negotiate on their own due to their reduced bargaining power.

- **Promotional Features:** Global media may be given priority for new features or experimental tools that platforms introduce, while local media may not have the same access.

We see these practices as being unfair because they perpetuate a cycle where large, already dominant players get more advantages, reinforcing their position in the market. At the same time, smaller, local organizations struggle to compete, which can lead to less diversity in the media landscape and can disproportionately affect the sustainability of local journalism, which is crucial for democracy.

o) Are there any other terms or conditions that may reflect an imbalance in bargaining power? Elaborate

We are aware that some countries have started to implement laws and regulations aimed at creating a more level playing field, but the global nature of digital platforms and the rapidly changing digital landscape mean that this remains an ongoing and dynamic issue.

- **Content Control and Ownership:** Platforms often have terms that allow them to distribute, modify, and even monetize news content without significant input or control from the content creators. This can limit the ability of news media businesses to control how their content is used and monetized.
- **Data Access and Sharing:** Digital platforms typically have access to extensive data on user behaviours, which they may not share with news media businesses. This data is vital for news outlets to understand their audience and optimize content strategies.
- **Algorithm Transparency:** The algorithms that determine content distribution and visibility on platforms are often opaque. Changes to these algorithms can significantly impact traffic to news sites, and the lack of transparency can put news media businesses at a disadvantage.
- **Monetization Rules:** The rules around how content can be monetized on platforms (e.g., eligibility for ad revenue sharing, restrictions on paywalled content) are set by the platforms. These rules can significantly impact the revenue streams of news media businesses.

- **Terms of Service Changes:** Digital platforms can unilaterally change their terms of service, often with minimal notice, which can have significant implications for news media businesses' business models.
- **Dispute Resolution:** The mechanisms for dispute resolution are often controlled by the platforms, which can leave news media businesses with limited avenues to contest decisions that affect their content or revenue.
- **Access to Features:** Some features that can enhance visibility and engagement, like video or interactive tools, may be available only to certain publishers based on the platform's discretion, which can create an imbalance.
- **Platform-Specific Requirements:** Platforms may require news content to be formatted or presented in a specific way to be distributed or monetized, which can impose additional operational costs on news media businesses.
- **Marketplace Dominance:** The dominance of a few large platforms in the digital marketplace means that news media businesses often have no choice but to agree to less favourable terms if they want to reach a large online audience.

Scope item 4: Evaluate whether competition for the distribution, display and monetisation of news content online between news media organisations through relevant digital platforms is distorted by market features including, but not limited to, ranking algorithms, paid results, search engine optimisation, consumer and social network preferences and commercial relationships with news media organisations; and the effects of this on public access to credible news content as a public good.

Scope item 4 Questions

q) In your view what aspects of the digital platform environment shapes competition between news media organisations the most? Please elaborate.

The advent of digital platforms has had a profound effect on media organisations and how they compete in this new environment – it has become a highly contested environment. South Africans are consuming more news more often, preferring online access over offline.

Digital platforms have changed the news and what journalism is all about. The competition is now about the changes in consumption, distribution and the production of news.

The following aspects of the digital platforms heightens the competitions between the news media:

The adaptability, strategic platform engagement, and innovative content distribution provides a basis for the competition amongst news media organizations. Those that best understand and leverage the unique attributes of each platform are often the most successful.

- **Algorithmic Curation and Visibility:** The algorithms used by digital platforms to curate and rank content significantly influence which news is seen and shared. These algorithms can prioritize sensationalist or divisive content, or they might favour video over text, impacting how news media businesses produce and present their stories.
- **Data and Analytics:** Platforms that have detailed user data allow for targeted advertising, which is a significant revenue source. News media businesses compete to understand and leverage these analytics to grow their audiences and increase engagement.
- **Platform-Specific Optimization:** Each digital platform has its own set of rules and formats for content. The need to optimize for multiple platforms (such as Google's AMP, Facebook's Instant Articles, or Twitter's character limits) means that organizations must diversify their strategies and sometimes prioritize one platform over another.
- **Monetization Mechanisms:** The methods by which news media can monetize their presence on platforms, be it through ad revenue sharing, subscriptions, or branded content, influence how they compete. For example, platforms may offer better revenue-sharing terms to certain publishers, affecting the competitive landscape and where the news are more or less accessible.
- **Content Policies and Moderation:** Digital platforms have varying policies on what type of content is allowed, how it is moderated, and how it can be monetized. This creates a complex environment where news media organizations must navigate to avoid demonetization or de-ranking;
- **Access to Audience:** Platforms control access to vast audiences. News media compete for this access, which often involves strategic decisions about what content to produce and how to market it;

- **Speed and Agility:** The news cycle on digital platforms is relentless, with constant updates and real-time interaction. Outlets that can produce and distribute content quickly have a competitive edge;
- **User Experience and Personalization:** Platforms that provide a superior user experience and personalization options can attract more users, which in turn attracts news media businesses looking for exposure. How news media adapts its content to fit these experiences can be a significant competitive factor;
- **Mobile Optimization:** With many users accessing news on mobile devices, the competition is intense to provide the best mobile experience, considering factors like loading times, readability, and interactivity.
- **Subscription and Paywall Strategies:** As ad revenues decline, more organizations are turning to subscription models. Platforms that integrate well with paywall and subscription models, or provide avenues for such monetization, affect how news media organizations compete and how they structure their offerings.
- **Innovation and New Formats:** The ability to leverage modern technologies and formats (like augmented reality, podcasts, or interactive storytelling) can set organizations apart and shape competition as they vie for user attention.
- **Network Effects and Social Sharing:** The more a piece of content is shared, the more visibility it gets, creating network effects that can amplify certain stories or outlets. Competing to create shareable content can significantly impact a news organization's strategy.
- **Platform Relationships and Partnerships:** Finally, the relationships that news media businesses forge with platforms can influence competition. Some might have preferential deals or timely access to new features, which can give them a competitive advantage.

r) What do news media organisations do to have their news content curated, and prominently displayed and ranked on a digital platform? Do news media organisations engage in search optimisation, or sponsor a prominent display on the platform? Please elaborate.

News media organizations employ a variety of strategies to ensure their content is curated, prominently displayed, and ranked favourably on digital platforms. These strategies are

geared toward increasing visibility and driving user engagement, which can lead to higher traffic.

Media organizations aim to optimize their content for discovery and engagement across various digital platforms. The goal is not just to attract views but to build a loyal audience that consistently turns to them for specific news and information.

The challenge therefore exists: Whether the content displayed is of superb or moderate quality, original or borrowed does not ultimately matter as long as it attracts eyeballs” (noted that “where the value of inventory tends to be evaluated based on the number of impressions and clicks”, there are concerns in ensuring a competitive environment for publishers creating quality news content. This would go to the ultimate detriment of consumers who may not receive quality news content.

The media organisations embark on the following methods to boost visibility and engagement:

- Search Engine Optimization (SEO): Includes Social Media Optimization; Platform-Specific Strategies, Content Partnerships; Email and Push Notifications.
- Direct Engagement: Building a subscriber base for direct communication through email newsletters and push notifications to drive traffic directly to their content.
- Advertising and Sponsored Content;
- Search Engine Marketing (SEM);
- Sponsored Content and Native Advertising: Interactive and Multimedia Content:
- Rich Media: Incorporating video, audio, and interactive elements that can increase user engagement, which is often favoured by platform algorithms.

The ACCC (Australian Consumer and Competition Commission) noted that “while public interest journalism contributes to a healthy democracy, disinformation and misinformation does the opposite” and “to the degree that online consumption makes it harder for public interest journalism to reach audiences, but easier for disinformation and misinformation to do so, this is clearly a significant public policy concern”.

The CMA observed that concerns in digital advertising (as well as on online search and social media) can affect the ability of publishers to invest in news and other online content, causing “a decline of authoritative and reliable news media, the resultant spread of ‘fake news’ and the

decline of the local press which is often a significant force in sustaining communities” to the detriment of those who value such content, but also leading to a “wider social, political and cultural harm” to broader society.

s) What are the factors that influence the curation and ranking of news content, and does this impact on competition between news media based on factors other than quality and relevance?

The curation and ranking of news are influenced by various “modern” factors which does not necessarily take into consideration or prioritise quality.

The use of algorithm-driven platforms have introduced new challenges for media organizations trying to balance business objectives with journalistic integrity. The multifaceted nature of algorithmic curation can sometimes promote competition on bases other than the intrinsic quality or societal relevance of news content.

The curation and ranking of news content on digital platforms are influenced by a complex array of factors, many of which are governed by proprietary algorithms.

- **User Engagement:** Click-through rates, time spent on content, sharing, commenting, and liking can all influence how content is curated and ranked. Content that drives engagement is often given priority by algorithms, which can incentivize sensational or polarizing content.
- **Personalization:** Algorithms tailor content to individual users based on their past behaviours, demographic information, and preferences, which means two people may see different news stories prioritized in their feeds even if they use the same platform.
- **Recency:** Timeliness is a significant factor, especially for news. Breaking news and recent posts are often prioritized to keep content fresh and relevant.
- **Publisher Reputation:** Some platforms consider the reputation of the publisher, which is determined by various metrics like historical performance, user trust, and authority in a particular domain.

- **Quality Signals:** Algorithms attempt to assess quality based on factors like original reporting, depth of content, factuality, and the absence of clickbait characteristics.
- **Format and Presentation:** Multimedia content like videos or interactive graphics may be ranked higher, particularly on platforms that are trying to promote these formats.
- **Economic Factors:** Paid promotions and sponsored content can influence visibility, as can the commercial relationships between media organizations and platforms.
- **Social Signals:** Shares and recommendations from users, especially if they come from individuals with many followers or high engagement levels, can boost content visibility.
- **SEO Practices:** The use of keywords, meta tags, and other SEO strategies can impact how content is discovered and ranked by search engines.
- **A/B Testing:** News media businesses often use A/B testing to see which headlines or images perform better and adjust their content accordingly, which can influence how often and prominently their content is displayed.

These factors can indeed create a competitive environment that is not solely based on the traditional journalistic values of quality and relevance. For instance:

- Clickbait Tactics;
- Algorithm Chasing;
- Echo Chambers; and
- Economic Pressures.

t) To what extent do new, small and vernacular language media organisations face challenges in achieving visibility on digital platforms and what impact does this have for media diversity?

Given the use of algorithms, audience frequency, recognised global languages etc the new, smaller and vernacular language media organisations are at a definite disadvantage within the

broader digital platform spaces and therefore subsequently limits media diversity. Achieving a level playing field for new, small, and vernacular media organizations on digital platforms is essential for maintaining media diversity, which in turn enriches the cultural and democratic fabric of society.

The challenges for the new, small and vernacular media organisations are underpinned by the following:

- **Algorithmic Bias:** Algorithms on major platforms tend to favour content that has a proven record of user engagement and shares. New or smaller outlets, which have smaller audiences to begin with, can struggle to generate the initial traction needed to be recognized and promoted by these algorithms.
- **Resource Constraints:** Smaller media organizations often have limited resources to invest in the technology, tools, and expertise required for effective Search Engine Optimization (SEO) and Social Media Optimization (SMO), which are critical for visibility on digital platforms.
- **Advertising and Marketing Budgets:** Without significant advertising budgets, it is difficult for these organizations to compete against larger entities that can afford extensive digital marketing campaigns to boost their content's reach.
- **Language and Cultural Barriers:** Vernacular and regional media outlets may have content that is highly relevant to specific audiences but less so to the broader user base that global algorithms cater to. This can result in their content being less visible on platforms that prioritize content with the widest appeal.
- **Content Discoverability:** New and smaller media outlets might not be included in platform-curated news sections or might be buried under content from larger, more established brands. This reduces the chances of discovery by users who do not specifically seek out these outlets.
- **Limited Data and Analytics.**

Impact on Media Diversity:

- **Homogenization:** If only the content from larger, more established outlets is prominently visible, there is a risk of homogenization of news and views, leading to a narrower range of perspectives being available to the public.
- **Marginalization of Communities:** Communities that rely on vernacular or regional media for news that reflects their language and cultural nuances may find themselves increasingly marginalized on digital platforms that favour more widely spoken languages and universal topics.
- **Reduced Plurality of Voices:** The difficulty in gaining visibility means that the plurality of voices, which is crucial for a vibrant democratic discourse, is reduced.

New, small, and vernacular language media organizations therefore face significant challenges in achieving visibility on digital platforms.

u) Is the curation and display of news content by digital platforms resulting in growing concentration of the news media or the opposite effect?

All indications are that South Africans are consuming more news more often within the digital realm. People are accessing news more than once a day. The digital platforms have also provided the opportunity for a greater proliferation of fake or unsubstantiated news.

The contribution of digital platforms to the concentration of media:

- **Winner-Takes-All Dynamics:** Platforms often operate on a winner-takes-all principle, where top-performing content is more widely disseminated, benefitting larger media organizations with established audiences and reputations.
- **Visibility and Discoverability:** The algorithms of digital platforms tend to prioritize content that is likely to engage users. This often favours mainstream and established media outlets over smaller or niche publishers, potentially leading to a concentration of attention on a few major players.

- Economies of Scale: Larger news media businesses can afford the investments in technology and expertise to optimize their content for digital platforms, allowing them to dominate the news landscape further.

It also encourages diversification:

- Niche Content: Platforms can serve niche audiences that larger media may ignore, thus supporting a more diverse range of news providers.
- Personalization and Long Tail Content: The long tail effect on the internet means that even content with a small audience can find its niche, allowing for a diversity of news providers.
- Independent and Citizen Journalism: social media and other digital platforms have given rise to independent and citizen journalism, enabling individuals and small groups to contribute to the news ecosystem.

v) What is the prominence of donation funded news media in South Africa and how, in your view, does this impact what types of news media displayed?

The Daily Maverick is a prime example of donation funded news media. It is still surviving given the nature of the South African political landscape and its historical polarization. The Daily Maverick is focusing largely on campaign and investigative journalism which resonates with certain sectors of the community.

Donation funded news is normally highly predicated on a cause-related bedrock in South Africa. This can be dangerous as it needs to ensure that it fulfils the mandate of the donor community rather than the objective overview of society.

The sustainability of donation-funded news media in South Africa depends on the continued willingness of donors and philanthropists to support these operations.

Scope item 5: Evaluate whether ad tech Supply Side Platforms (SSPs), Demand Side Platforms (DSPs) and intermediary Ad Exchanges (AdEx) used to surface digital

advertising on websites or apps of the South African news media sector will impact on the adoption and competition considerations in scope items 1 to 4.

Scope Item 5 Questions

w) How dependent are news media organisation on Adtech intermediaries for sourcing advertising for their digital inventory and if so, the reasons for that dependency?

News media organizations have become increasingly dependent on AdTech intermediaries to source advertising for their digital inventory. This dependency is multifaceted and rooted in the evolution of digital advertising and the complexities of online ad distribution.

1. **Programmatic Advertising:** The rise of programmatic advertising, where ads are bought and sold in real-time through automated processes, has made it a necessity for news media businesses to engage with AdTech companies. These platforms can efficiently match publishers' ad inventory with advertisers' demands, optimizing the prices and placements of ads.
2. **Sophisticated Targeting:** Advertisers are seeking more sophisticated targeting capabilities to reach specific audiences, something which AdTech intermediaries are well-equipped to provide through their advanced data analytics and user tracking technologies.
3. **Scalability:** AdTech intermediaries offer the ability to scale ad campaigns quickly and efficiently across various platforms and devices, a task that would be too resource-intensive for many news media businesses to manage internally.
4. **Revenue Maximization:** With the decline of traditional print revenue, news media must maximize their online revenue streams. AdTech intermediaries promise higher fill rates and better monetization of their digital inventory through access to a larger pool of advertisers.

5. **Market Dynamics:** The digital advertising market is dominated by a few large tech companies, often referred to as "the duopoly" (or including Amazon, "the triopoly") of Google, Facebook, and Amazon. To compete in this environment, news media organizations often feel compelled to use the tools and services provided by these entities to reach advertisers.

This dependency, however, comes with its own set of challenges, such as the dilution of the value chain, where a sizeable portion of advertising revenue is taken by intermediaries. Furthermore, there is a loss of direct relationship with advertisers, reliance on third-party data and algorithms, and potential concerns about brand safety. Consequently, while AdTech intermediaries provide necessary services that enable news media businesses to be active in the digital ecosystem, they also pose strategic and commercial challenges that these organizations must navigate.

x) In your view, what major issues in the ad tech stack affect the online distribution of news media content?

Addressing these issues is a significant challenge for the news industry. News media businesses must navigate the trade-offs between maximizing ad revenue, protecting user experience, and maintaining editorial integrity in a digital landscape where the rules are often set by the ad tech platforms themselves.

1. **Complexity and Opacity:** The ad tech ecosystem is complex, with a multitude of players including demand-side platforms (DSPs), supply-side platforms (SSPs), data management platforms (DMPs), ad exchanges, and various intermediaries. This complexity can lead to opacity where it is not clear how ads are placed, how data is used, or where the money flows. For news media, this can mean less control over the ads that appear alongside their content and uncertainty about revenue.
2. **Revenue Sharing:** A sizeable portion of advertising revenue is taken by various intermediaries involved in the ad tech stack before reaching the publishers. This means that

news media businesses may only receive a fraction of the ad spend by advertisers, squeezing their revenue and potentially affecting the sustainability of their operations.

3. **Ad Quality and Brand Safety:** Ad tech can sometimes fail to properly vet advertisements or control where they appear, which can lead to inappropriate ads being displayed next to serious news content. This harms the user experience and can damage the reputation of news media brands.
4. **Ad Blocking:** The use of ad blockers continues to rise as users try to avoid intrusive ads, which reduces the number of viewable impressions and thus the revenue for news publishers.
5. **Loading Times and User Experience:** The integration of multiple ad tech services can slow down website loading times, impacting the user experience. Slow loading times can increase bounce rates and reduce the number of page views, negatively affecting ad revenue and engagement with news content.
6. **Dependency on Major Platforms:** A significant part of digital advertising is concentrated around major platforms such as Google and Facebook. News media's dependence on these platforms for ad revenue can put them at a disadvantage, as changes in algorithms or policies can dramatically affect their shared and already reduced ad income.
7. **Viewability and Fraud:** There are ongoing issues with ad viewability, with many ads never actually being seen by users, and ad fraud, where fake traffic is generated to charge advertisers for impressions that are not legitimate. Both issues lead to advertisers being wary of spending on digital ads, which affects the revenue of news media organizations.
8. **Ad Personalization vs. Privacy:** While personalized ads can be more effective and generate more revenue, they require collecting and processing personal data, which raises privacy concerns and can clash with public expectations and legal requirements.

9. Incentive Misalignment: The ad tech stack is often optimized for metrics like clicks and impressions rather than the quality of content or user engagement. This can incentivize clickbait or sensational content over high-quality journalism.

y) In South Africa are there any exclusivities, impediments to interoperability or bundling and tying practices in the ad tech stack have had an adverse impact on Adtech competitors and impedes effective competition in the marketplace?

In the South African context, the digital advertising market, much like the global one, is subject to certain dynamics that can potentially impact competition. While specific instances may require detailed market analysis and investigation, there are common practices within the ad tech stack that could pose challenges to competition and affect ad tech competitors in the market:

- **Exclusivities:** Exclusive arrangements between major ad tech providers and publishers or advertisers can limit the market for smaller ad tech firms. If a major player in the ad tech stack demands exclusivity, it could stifle competition by preventing other ad tech companies from competing for the same inventory or advertising spend.
- **Interoperability Issues:** The ad tech landscape is characterized by proprietary systems and standards. When dominant platforms use closed systems that are not interoperable with other services, it can create walled gardens. This makes it difficult for competitors to enter the market or for publishers to switch services, as they become locked into a particular ecosystem.
- **Bundling and Tying:** Large digital platforms may bundle their ad tech services with other products, which can disadvantage competitors who only offer one piece of the stack. For example, a platform might bundle analytics services with ad buying services, pushing out competitors who do not have such a broad service offering.
 - **Data Control:** Large platforms have vast amounts of user data, which they can use to their advantage in targeting advertisements. Smaller competitors often do not have access to similar data, which can be a significant impediment to competing effectively.
 - **Market Concentration:** In South Africa, like elsewhere, a few large international companies control a significant share of the ad tech market. This concentration

can make it hard for local and smaller ad tech firms to compete for both publisher spaces and advertiser budgets.

- **Regulatory Environment:** Regulatory mechanisms can sometimes lag the fast-paced evolution of ad tech, making it hard to address any anti-competitive behaviour in a timely manner. However, South Africa's Competition Commission is active and has been known to investigate anti-competitive practices in various sectors.
- **Access to Capital:** Ad tech requires significant investment in technology and talent. New entrants and smaller competitors in the South African market might find it challenging to access the necessary capital to compete with large, established players, especially those with substantial international backing.

While the South African ad tech market is growing and dynamic, these issues can potentially hinder effective competition.

z) How does the Adtech stack assign advertising across different inventory, and are there conflicts of interest by Adtech companies owned by digital platforms?

The ad tech stack consists of a set of technologies and services that automate the process of buying and selling ad inventory. The allocation of advertising across different inventories is a complex process involving various platforms and tools, including Demand-Side Platforms (DSPs), Supply-Side Platforms (SSPs), Ad Exchanges, Data Management Platforms (DMPs), and more.

- **Supply-Side Platforms (SSPs):** Publishers use SSPs to manage their ad inventory and make it available for purchase. SSPs help publishers to maximize their ad revenue by optimizing the match between the available inventory and advertiser demand.
- **Ad Exchanges:** These are digital marketplaces that facilitate the buying and selling of ad inventory between advertisers (or their DSPs) and publishers (or

their SSPs). They operate in real-time, allowing for auction-based pricing (commonly known as Real-Time Bidding or RTB).

- Demand-Side Platforms (DSPs): Advertisers use DSPs to purchase ad inventory across a range of publisher sites. DSPs enable advertisers to manage multiple ad exchange and data exchange accounts through one interface.
- Data Management Platforms (DMPs): These platforms store and analyse huge sets of data which advertisers use to make decisions about whom to target with their ads, thus optimizing their ad spend.
- Ad Servers: Both publishers and advertisers use ad servers to manage and run their online advertising campaigns. Ad servers decide which ads to serve on a website based on various criteria, including the content of the website, the advertiser's bid, and the user's behaviour.

Conflicts of Interest:

When ad tech companies are owned by digital platforms, there is potential for conflicts of interest, particularly when these platforms also own major properties where ads are displayed (such as search engines, social networks, or other content platforms).

- Data Advantage: Platforms that own ad tech operations have access to vast amounts of user data, which they can use to their advantage, potentially at the expense of other players in the ecosystem.
- Preferential Treatment: There is a risk that owned ad tech operations could prioritize the inventory of their parent company over others, giving their own properties preferential access to advertisers or better rates, or they may make it more challenging for competitors to access valuable inventory or data.
- Transparency Issues: Conflicts of interest may also arise in terms of transparency, where the ad tech provider may not be forthcoming about ad performance on its parent company's platforms versus others.
- Bundling Services: Platforms might bundle ad tech services with other products, creating an ecosystem where advertisers and publishers are encouraged or

coerced into using their ad tech services due to integration and convenience, which can reduce competition.

aa) What is share of the advertising Rand for each layer in the Adtech stack and the media organisations themselves, and is the distribution of share equitable to the value provided?

The distribution of the advertising Rand (ZAR) within the ad tech stack and to media organizations is not uniform and can vary depending on several factors, including the complexity of the ad tech stack used, the negotiating power of the various players, and the specifics of individual deals.

Here is a general breakdown of how the advertising spend can be distributed:

- **Media Organizations/Publishers:** Ideally, the largest share of the advertising spend should go to the media organizations, as they are the content creators and own the spaces where ads are displayed. However, publishers have often expressed concern that they only receive a fraction of the ad spend, sometimes as little as 30-40% of the original advertiser's budget after all intermediaries have taken their share.
- **Demand-Side Platforms (DSPs):** Advertisers use DSPs to automate the purchase of digital advertising. DSPs charge a percentage of the ad spend for their services, which can vary but often ranges between 10-20%.
- **Supply-Side Platforms (SSPs) and Ad Exchanges:** SSPs and ad exchanges facilitate the selling of ad inventory in real-time and typically take a cut of the ad revenue generated from the sale of this inventory. Their fees can range from 10-30%.
- **Ad Networks:** These can aggregate ad space from multiple publishers and package it for sale to advertisers, often taking a significant percentage of the ad spend, which can range from 20-50% or more, depending on the network and the value it provides in terms of service and audience reach.
- **Data Management Platforms (DMPs):** These platforms manage data for more precise ad targeting and may charge either a flat fee, a percentage of the media spend, or a combination of both.

- **Ad Verification and Optimization Services:** Other services involved in the ad delivery process, such as ad verification, brand safety, and performance optimization, also take smaller cuts for their part in ensuring the quality and effectiveness of ad placements.

Is the distribution equitable?

The question of whether the distribution of the advertising spend is equitable relative to the value provided is a subject of ongoing debate within the industry. Many publishers argue that the current distribution does not fairly compensate them for the content they create and the audiences they cultivate. They contend that a sizeable portion of the ad spend is absorbed by intermediaries and technology costs within the ad tech stack, which diminishes the resources they can invest back into content creation.

In recent years, there has been a push for greater transparency in the adtech ecosystem. Advertisers and publishers are seeking more clarity on where their money is going and what portion of their investment is consumed by ad tech fees. This transparency is seen as essential to ensuring that the distribution of advertising spend is more equitable and that each party is compensated in line with the value, they provide to the overall advertising process.

The question still remains why there should be so many intermediaries and/or their requisite charges and dominant access to data.

Scope item 6: Evaluate whether the current and future integration of generative AI systems in relevant digital platforms, including the AI review and assimilation of news media content, will impact on the adoption and competition considerations in scope items 1 to 4;

Scope item 6 Questions

bb) What is your view of the future use of generative AI within the algorithms of search, social media and news aggregators for surfacing and ranking of content, and how do you expect this to impact on the selection and ranking of news media content?

Generative AI holds great promise for the customization and enhancement of news media consumption but comes with challenges that need careful management.

- **Personalization:** Generative AI can enhance personalization algorithms by understanding and predicting user preferences with greater accuracy. This could lead to more personalized newsfeeds, where the content is tailored not just to overt interests but also to inferred needs and contexts, increasing user engagement.
- **Content Creation and Curation:** Generative AI may assist in creating summaries or even generating news articles based on trending topics or data inputs. For aggregators, this means an ability to quickly produce content on trending subjects, keeping users informed and engaged.
- **Fake News and Misinformation:** There is a concern that the same technology that can generate accurate, engaging content could also be used to create convincing fake news and misinformation. Platforms will need to balance the use of AI in content generation with robust fact-checking and verification processes.
- **Diversity of Content:** While generative AI could potentially lead to a more personalized experience, there is also the risk of creating echo chambers or filter bubbles, where users are only exposed to news that aligns with their existing beliefs. Platforms will need to be conscious of this and ensure that AI algorithms are designed to introduce a variety of perspectives.
- **SEO and Content Discovery:** Generative AI could change the landscape of Search Engine Optimization (SEO), with news media businesses needing to adapt their content to be discoverable by AI-driven search algorithms that may prioritize different criteria than human editors.
- **User Engagement:** Algorithms might use generative AI to predict which articles will keep users engaged for longer periods, potentially prioritizing content that maximizes user retention over content that is necessarily important or relevant.
- **Algorithmic Transparency:** As AI becomes more sophisticated in curating and ranking content, calls for transparency will grow louder. Stakeholders will want to understand why certain news items are promoted over others and whether AI biases are at play.

- **Monetization and Ad Placement:** Generative AI might also affect the placement and personalization of advertisements in news media, potentially increasing the revenue for media companies by creating more engaging formats or better-matched audience targeting.
- **Moderation:** Generative AI could be increasingly used to moderate content, removing fake news or inappropriate material before it reaches a wide audience, but also raising questions about censorship and the overreach of platforms in controlling information.

Generative AI is a powerful tool that has the potential to transform the algorithms used by search engines, social media platforms, and news aggregators in content surfacing and ranking.

cc) What is the trend in the use of AI chatbots to explore news stories and how do you expect news consumption through generative AI to evolve (if at all)? Please elaborate.

The evolution of news consumption through generative AI is poised to make news more interactive, personalized, and accessible, with chatbots serving as a bridge between complex news ecosystems and individual user needs.

Current Trends:

- **Interactive News Experience:** AI chatbots are being employed to deliver news in a conversational manner, making the experience more interactive. Readers can ask questions about a news story and receive immediate, contextually relevant responses.
- **Customization and Personalization:** Chatbots can provide personalized news delivery, learning from users' interactions to tailor content to their interests, reading habits, and preferences.
- **Efficiency:** By managing routine inquiries and navigation requests, AI chatbots allow news media businesses to operate more efficiently, freeing up human resources for investigative journalism and content creation.

- **Accessibility:** AI-powered chat interfaces help make news more accessible, providing summaries and allowing users to dive deeper into topics as desired.

Expected Evolution:

- **Deeper Personalization:** As AI technology advances, we can expect chatbots to offer even more nuanced personalization, curating news stories not just based on past behaviour but also incorporating real-time mood and sentiment analysis.
- **Sophisticated Conversational Agents:** Future AI chatbots will have more advanced conversational abilities, engaging users in deeper dialogues about news topics, providing background, analysis, and even contrasting viewpoints.
- **Integration with Virtual Assistants:** News consumption via AI chatbots could become integrated with virtual assistants like Amazon's Alexa or Google Assistant, providing news briefings on command across various devices.
- **Fact-Checking Bots:** Given concerns about misinformation, future chatbots might incorporate real-time fact-checking features, alerting readers to potential inaccuracies or biases in the news they are consuming.
- **Automated Journalism:** Generative AI may also lead to a rise in automated journalism, where news stories are written by AI systems. These stories could be disseminated through chatbots, with the potential for instant updates as a situation evolves.
- **Interactive Storytelling:** Chatbots could enable a form of interactive storytelling where users' questions and preferences guide the narrative of the news story, making each user's experience unique.
- **Global News Digests:** AI could curate global news roundups for readers, transcending the language and geographical barriers, and offering diverse perspectives on international events.
- **Feedback Loops for Improvement:** As users interact with news chatbots, their feedback can be used to improve the algorithms, making the AI more adept at predicting and serving user preferences over time.
- **Monetization:** We might see innovative monetization strategies emerge where chatbots offer premium content, unique features, or personalized services for a subscription fee.

- Ethical and Regulatory Oversight: With AI playing a bigger role in how news is consumed, there will be increased calls for ethical standards and regulatory oversight to prevent bias and ensure transparency in news dissemination.

dd) How will the integration of AI into digital platforms and the emergence of AI chatbots impact on referral and advertising revenues of news organisations in the future?

The integration of AI into digital platforms and the rise of AI chatbots present both opportunities and challenges for the referral and advertising revenues of news media businesses.

Impact on Referral Revenue:

- Direct Engagement: AI chatbots can keep users within a platform longer by providing immediate news and information, potentially reducing the need for users to click through to the original news site, which could decrease referral traffic.
- Content Discovery: Advanced AI algorithms can improve content discovery, leading to more effective recommendations and potentially increasing referral traffic to news sites that offer unique and high-quality content.
- Personalization at Scale: AI enables hyper-personalization of content, potentially increasing engagement rates and the likelihood of referrals as users find the content more relevant to their interests.
- Platform Dependency: As digital platforms use AI to keep users engaged, news media businesses may become more dependent on these platforms for traffic, potentially impacting their ability to directly monetize their audiences.

Impact on Advertising Revenue:

- Targeted Advertising: AI can provide more granular data about user preferences and behaviours, allowing for more targeted and effective advertising, which could increase ad revenues for news media businesses.

- **Programmatic Advertising Efficiency:** The use of AI in programmatic advertising could lead to more efficient ad buying and placement, potentially increasing ad revenue for news media businesses by optimizing inventory yield.
- **Ad Format Innovation:** AI-driven platforms could develop new ad formats that are more interactive and engaging, potentially increasing their value and the revenue they generate for news publishers.
- **Increased Competition:** As AI makes it easier to create and distribute content, there may be an increase in competition for ad dollars among a larger pool of content providers, potentially diluting advertising revenue for established news media businesses.
- **Data Privacy and Regulation:** Stricter data privacy regulations influenced by AI capabilities could limit the amount of user data available for targeting, potentially impacting the effectiveness and revenue potential of targeted ads.
- **Cost of AdTech:** The use of sophisticated AI in AdTech could increase the costs associated with ad delivery, which may affect the net advertising revenue for news media businesses.
- **Disintermediation Risk:** As AI chatbots can provide content within the platform itself, users may be less likely to visit the news site, leading to potential loss of ad impressions on the publisher's own platforms.
- **Ad Blockers and AI:** The proliferation of AI-powered ad blockers could pose a significant threat to ad revenues, as they may become more effective at filtering out ads from the user experience.

Future Considerations:

- **Revenue Sharing Models:** News media businesses might negotiate new revenue-sharing models with platform providers that account for the value contributed by their content within AI-enhanced ecosystems.
- **Subscription and Paywall Integration:** AI could help to tailor and promote subscription offerings to the right audience at the right time, potentially increasing subscription revenues as an alternative to ad-based models.
- **Value Attribution:** The industry might move toward models that better attribute value to the content creators, ensuring that news media businesses are fairly

compensated for the role their content plays in keeping users engaged on AI-driven platforms.

ee) What is the current use of news content to train AI and to what end? Is there a compensation model for this training content and should there be? What is the likely impact of using the content for training whilst potentially competing with news organisations for user attention?

Use of News Content for AI Training:

- NLP and Machine Learning: News articles are used to train AI algorithms to understand and generate human-like text, improve language models, and for sentiment analysis.
- Content Summarization: AI uses news stories to learn how to summarize long pieces of text accurately.
- Trend Analysis and Prediction: Training on news content helps AI predict trends and perform market analysis based on the occurrence of certain events.

Compensation Models:

- Direct Licensing: Some AI companies obtain news content through direct licensing agreements with news publishers, compensating them for the use of their content.
- Public Domain and Fair Use: Often, AI is trained using publicly available data or under the auspices of fair use, which typically does not require compensation. This area is controversial and subject to legal interpretation.
- Content Partnerships: In some cases, news media businesses enter partnerships with AI companies, where they provide content in exchange for a share in the revenues generated or for technology that benefits their operations.

The compensation model should be more aggressive towards the media provider given the investment in journalistic services in the first instance.

Impact of Using Content for AI Training:

- **Competition for Attention:** If AI platforms use news content to keep users engaged within their ecosystems (e.g., by generating summaries or providing news briefs), they may compete with news media businesses for user attention, potentially reducing direct traffic to news sites.
- **Value Extraction without Compensation:** When AI companies use news content without compensating news media businesses, they extract value from the content without providing fair return, which can be seen as undermining the news industry.
- **Ethical Considerations:** There is an ongoing debate about the ethical implications of using journalistic content to train AI without proper compensation, especially considering the resources that go into investigative reporting and journalism.
- **Enhanced User Experience:** On the other side, AI trained on high-quality news content can enhance the user experience on various platforms, potentially creating more engagement with the news content itself.
- **Content Accessibility:** AI can make news content more accessible, for example, by providing summaries or translating content into different languages, which can lead to increased consumption.

Should There Be a Compensation Model?

The question of whether there should be a compensation model for using news content to train AI touches on broader issues of copyright, fair compensation, and the sustainability of the news industry.

As AI becomes more pervasive in curating and delivering news:

- There is an argument for creating systems that ensure news creators are fairly compensated for their content, especially as it adds value to AI services.

- This could take the form of licensing agreements, revenue-sharing models, or other compensation mechanisms that acknowledge the contribution of news content to AI development.

The likely impact is multifaceted. While the use of news content for training AI can improve the user experience and provide additional avenues for consuming news, it may also disrupt traditional news consumption patterns and economic models. The relationship between AI companies and news media businesses will need to evolve to address these impacts, involving regulatory guidance, industry standards, and innovative business agreements that reflect the value exchange between news content providers and technology developers.

Scope 7 questions

ff) How do think the features of digital news content distribution has impacted on the quality and diversity of news journalism in South Africa?

Digital distribution has the potential to both enrich and challenge the landscape of news journalism in South Africa. Embracing digital opportunities while safeguarding journalistic standards and promoting diversity is key to the future health of the news ecosystem.

Positive Impacts:

- **Greater Diversity:** Digital platforms have lowered barriers to entry for news publication, allowing for a greater diversity of voices and stories. This has been particularly beneficial in a country with South Africa's complex social and political history, where diverse perspectives are essential for an informed public discourse.
- **Niche Publications:** The digital space has made it easier for niche publications to find and serve specific audiences, including those interested in minority languages, local issues, or specific interests.

- **Innovative Storytelling:** The use of multimedia elements such as video, interactive infographics, and podcasts has enriched journalistic storytelling, making complex stories more accessible and engaging.
- **Real-Time Reporting:** Digital platforms enable quicker dissemination of news, allowing for real-time updates which can be critical in a rapidly changing news environment.
- **Public Engagement:** Social media platforms have facilitated direct interaction between news producers and consumers, potentially leading to more responsive and community-driven journalism.

Negative Impacts:

- **Financial Challenges:** The shift to digital has disrupted traditional revenue models, often leading to cost-cutting measures that can impact the quality of journalism. Newsrooms may have fewer resources for in-depth reporting, fact-checking, and investigative journalism.
- **Clickbait Culture:** The pressure to drive web traffic can lead to sensationalism or 'clickbait', undermining the quality of news with headlines and stories designed more for attracting clicks than providing information.
- **Disinformation and Fake News:** The ease of publishing on digital platforms has facilitated the spread of false information, and South African audiences are not immune to this global challenge.
- **Erosion of Editorial Standards:** With the speed at which digital news is produced and the competitiveness of the market, there is a risk that editorial standards may fall by the wayside in the rush to publish.
- **Consolidation and Homogenization:** While there is potential for diversity, market forces can lead to consolidation, with dominant players exerting disproportionate influence over public discourse, leading to a homogenization of perspectives.
- **Skill Gaps:** The need for technical skills in digital journalism can create gaps, particularly among established journalists who may not have been trained in these new competencies.

Addressing the Challenges:

To enhance the quality and diversity of digital news journalism in South Africa, a multifaceted approach is needed:

- Education and Training: Investing in the education and training of journalists to manage the demands of digital reporting, including data journalism, multimedia storytelling, and understanding algorithms that drive content distribution.
- Sustainable Revenue Models: Developing sustainable revenue models such as subscriptions, memberships, and micro-payments that support quality journalism without solely relying on advertising.
- Regulatory Frameworks: Implementing regulations to combat fake news and disinformation while supporting media freedom and independence.
- Public Media Support: Strengthening public media and independent journalism initiatives that prioritize quality and diversity over commercial success.

The features of digital news content distribution have significantly impacted the quality and diversity of news journalism in South Africa.

gg) Are there features of digital platforms that either promote or undermine the participation of SMEs and HDP-owned news organisations? Are there particular features of digital platforms that may promote or undermine vernacular language publications online?

Digital platforms can both promote and undermine the participation of Small and Medium Enterprises (SMEs) and Historically Disadvantaged Population (HDP)-owned news media businesses, as well as the presence of vernacular language publications.

Digital platforms could adopt more inclusive practices, such as better language support, cultural awareness in algorithm design, equitable revenue-sharing models, and community engagement tools that are accessible to all.

Promoting Participation:

- Low Barrier to Entry: Digital platforms reduce startup and distribution costs compared to traditional media, which can benefit SMEs and HDP-owned organizations.

- Targeted Reach: Digital advertising tools enable these organizations to reach specific audiences, which is particularly useful for vernacular publications seeking to engage with language communities.
- Social Media Engagement: Social media can amplify content reach and engagement, allowing smaller organizations to build a following without significant advertising budgets.
- Content Aggregation: Platforms that aggregate content can include SME and HDP-owned news alongside larger organizations, increasing visibility.
- Community Building: Digital platforms offer tools for building and managing online communities, which can be beneficial for publications that focus on specific cultural or linguistic groups.
- Analytics: Access to real-time analytics helps these organizations understand their audience and tailor their content strategies accordingly.

Undermining Participation:

- Algorithmic Bias: Algorithms that prioritize content based on popularity or engagement metrics can disadvantage smaller players who have less initial reach.
- Ad Revenue Competition: The dominance of major platforms in online advertising can limit the revenue opportunities for SMEs and HDP-owned organizations.
- Visibility Issues: Without resources for search engine optimization (SEO) or social media marketing, it can be difficult for these organizations' content to be found online.
- Technical Challenges: Keeping up with the technical demands of optimizing for various platforms can be a strain on smaller organizations with limited resources.
- Monetization Hurdles: The criteria and processes for monetizing content can be complex and disadvantage smaller players who may not meet certain thresholds for viewership or subscribers.
- Content Moderation: Vernacular and niche content might not be adequately moderated or supported due to a lack of language diversity within tech companies, leading to potential misunderstandings or underrepresentation.

Features That May Undermine Vernacular Publications:

- Language Support: If digital platforms do not support certain languages, vernacular publications may struggle to reach their audience.
- Translation Features: Lack of or poor-quality automatic translation features can limit the accessibility of vernacular content to a wider audience, which is particularly important for diaspora communities.
- Cultural Context: Algorithms lacking cultural sensitivity may not accurately assess the relevance or popularity of vernacular content, affecting its distribution.

hh) **What incentives do digital platforms have in place to promote the publication and distribution of high-quality investigative journalism? Please elaborate.**

Effectiveness of incentives can vary, and they must be balanced with the need to maintain user engagement and platform growth. Moreover, concerns over media bias, platform manipulation, and the spread of misinformation necessitate a cautious approach to how investigative journalism is supported and disseminated on digital platforms.

Digital platforms have several incentives to promote the publication and distribution of high-quality investigative journalism.

- Algorithmic Promotion: Platforms may tweak their algorithms to prioritize high-quality, original content. Investigative journalism could be flagged as such and receive a boost in visibility within news feeds or search results.
- Partnership Programs: Some platforms establish partnerships with news media businesses that specialize in investigative journalism, providing them with resources, funding, or revenue-sharing opportunities that support in-depth reporting.
- Grants and Awards: Platforms may offer grants, scholarships, or awards for investigative journalism projects, which can help fund long-term projects that might not be viable otherwise due to financial constraints.

- **Traffic Referral and Sharing Revenue:** Platforms that refer significant traffic to news sites may have arrangements to share advertising revenue. This can incentivize publishers to invest in content that drives engagement, including investigative pieces.
- **Subscription Support:** For platforms that enable subscriptions, such as Google's Subscribe with Google or Apple's News+, there may be tools and promotional support for investigative journalism that often sits behind paywalls.
- **Training and Tools:** Providing training in digital tools and analytics can help investigative journalists reach and engage with audiences more effectively. Platforms might also provide access to advanced tools for data analysis and visualization.
- **Curation and Editorial Features:** Some platforms curate content and highlight investigative stories through editorials, unique features, or dedicated sections that are designed to showcase in-depth journalism.
- **Collaborative Networks:** Encouraging collaborations between journalists, newsrooms, and academic institutions can lead to more robust investigative projects. Platforms can facilitate these networks by providing communication tools and hosting events.
- **Content Licensing Deals:** In some cases, platforms strike content licensing deals where they pay news media businesses for their content, which could include investigative reporting.
- **Quality Signals:** Incorporating signals of journalistic quality into their ranking algorithms, such as awards won, the reputation of the publication, or peer review systems, could help ensure that investigative journalism is promoted.

ii) In your view what are the challenges to SME, HDP, community-based and vernacular publications transitioning into online distribution of news media? What implications does this have for consumer choice and quality journalism? Please elaborate.

The transition into online distribution of news media for Small and Medium Enterprises (SMEs), Historically Disadvantaged Population (HDP)-owned, community-based, and vernacular publications comes with several challenges:

Challenges

Financial investment is likely the most important factor when setting up for success. Getting the right tech is important, with platform support and digital knowledge being a crucial aspect of the business.

- Financial Constraints: SMEs and HDP-owned media often operate with tight budgets, making it difficult to invest in the technology and skilled personnel needed for a competitive online presence.
- Digital Literacy: There may be a lack of digital literacy required to navigate the complexities of online distribution, such as understanding SEO, social media algorithms, and digital marketing strategies.
- Access to Technology: In some regions, there might be limited access to the necessary technology infrastructure, like high-speed internet, which is crucial for uploading content and managing a digital news outlet.
- Market Saturation: The online space is highly competitive, with many publications vying for consumer attention. Standing out without the resources for extensive marketing or search engine optimization can be daunting.
- Content Monetization: Finding a sustainable business model online is challenging. Paywalls can limit readership, while ad-supported models are often less profitable due to the dominance of major ad networks.
- Algorithmic Disadvantages: Algorithms on social media and search platforms may not favour content from smaller, niche, or local sources, making visibility a significant hurdle.
- Cultural and Linguistic Nuances: For vernacular publications, there might be fewer online readers, less digital ad spending targeting those readers, and potential challenges in ensuring that their content is accurately represented and discoverable.

Implications for Consumer Choice and Quality Journalism

- Reduced Diversity: If the challenges are not met effectively, there could be less diversity in the online news landscape, with dominant players overshadowing smaller, local, and vernacular voices.

- Homogenization of Content: The struggle to achieve visibility may lead publications to favour clickbait or sensationalism over in-depth reporting, affecting the quality of journalism.
- Limited Access to Local News: As community-based news media businesses face financial and technical challenges, local news deserts may emerge, leaving communities without vital information.
- Echo Chambers: When diverse sources are lacking, users might be confined to echo chambers, where they only encounter information that reinforces their existing beliefs.
- Cultural Loss: For vernacular and indigenous publications, the difficulty in sustaining an online presence can lead to a loss of cultural and linguistic media representation, impacting the preservation and promotion of unique identities.
- Disinformation Risks: To cut through the noise, some outlets might prioritize speed over accuracy, potentially increasing the spread of misinformation.
- Economic Disadvantage: A lack of competition due to the barriers faced by SMEs, HDP, and vernacular publications can mean that consumers may face higher prices and fewer choices as larger entities consolidate their hold on the market.